Unemployment Insurance Review

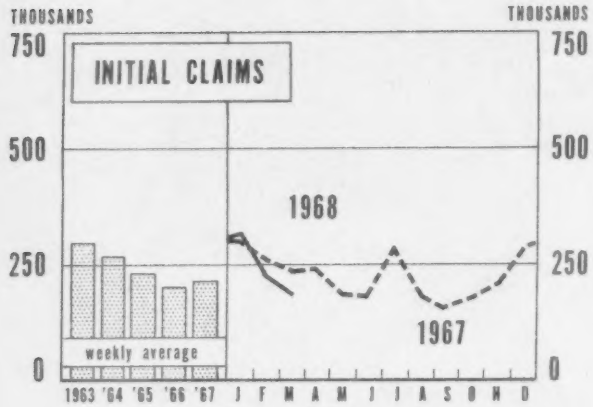
June–July 1968

In this issue

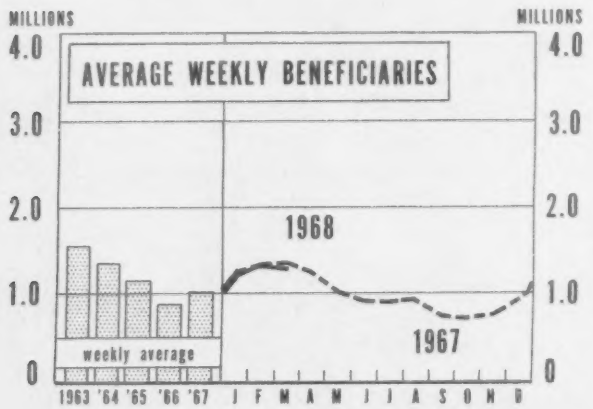
- New Concepts in Unemployment Insurance
- Nonbenefit Uses of Unemployment Insurance Funds in the Federal Republic of Germany
- Status of State UI Reserve Funds
- Issues Reflected in Recent Appeals Decisions: A New Look at the Availability of Students

UNITED STATES DEPARTMENT OF LABOR
Manpower Administration

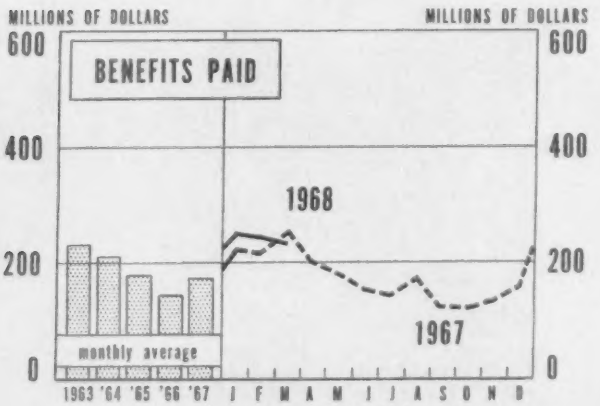
UNEMPLOYMENT INSURANCE ACTIVITIES
UNDER STATE PROGRAMS



In March, initial claims filed under State programs averaged 182,900 per week—a decline of 19 percent from February and 24 percent below a year earlier. The volume this March was the second lowest for the month since 1953.



Beneficiaries receiving payments under State unemployment insurance programs in March averaged 1,298,000 per week—75,600 below the February figure and 76,500 fewer than the March 1967 average.



Benefits paid to insured jobless workers under State unemployment insurance programs declined by $12.6 million to $231.1 million in March. This was $26.4 million less than a year earlier and the second lowest amount for March in 11 years.

Unemployment Insurance Review

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U.S. DEPARTMENT OF LABOR
Willard Wirtz, Secretary

MANPOWER ADMINISTRATION
Stanley H. Ruttenberg, Administrator

BUREAU OF EMPLOYMENT SECURITY
Robert C. Goodwin, Administrator

UNEMPLOYMENT INSURANCE SERVICE
Forest L. Miller, Director

HARRY F. MULLALY, Editor May 31, 1968

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New Concepts in Unemployment Insurance

Stanley H. Ruttenberg

As we approach the end of the 1960's, we find ourselves involved in a search for a means to achieve maximum utilization of the Nation's manpower resources. The recession conditions which ushered in this decade have given way to unprecedented prosperity and less unemployment than this country has experienced in many years. We are well aware that unemployment still exists, however. We are dealing with it in a number of ways, because we know that the Nation can no longer afford the luxury of underutilization of the skills and talents of its people; development of our manpower potential may hold the key to our national survival.

Our total manpower program is pointed in the direction of reducing unemployment, increasing the employability of unemployed and underemployed workers, and creating new jobs. To accomplish these objectives we now have devised the Human Resources Development Program with its outreach concept; JOBS—Job Opportunities in the Business Sector—in which private business is demonstrating its dynamic involvement through recruiting, training, and hiring the disadvantaged; the Work Incentive Program, authorized under the 1967 amendments of the Social Security Act to place welfare recipients in training or jobs; the Concentrated Employment Program, which focuses and coordinates all manpower activities in the target slum areas; and many other innovations. So far, these programs have been aimed at workers who do not qualify for unemployment insurance, especially young people who have never held jobs, the disadvantaged, and the hard-core unemployed. We have not achieved all that we set out to do for these people, but we have made progress and we have learned a great deal from our experience with the new programs.

It seems to me we ought to be thinking, too, in terms of increasing the employment prospects of

Mr. Ruttenberg is Assistant Secretary and Manpower Administrator for the Department of Labor.

those people who do qualify for unemployment insurance. After all, the insured unemployed still represent the bulk of unemployed individuals with previous work experience. Having held jobs, these people should present fewer employment problems than the young people, for example, who lack comparable work experience. Yet even today, with our economy operating at a very high level, a fifth of those people who receive benefits exhaust their benefit rights and remain unemployed. Indeed, some of the insured unemployed, particularly those who have exhausted all their benefit entitlement, may be on their way towards becoming hard-core unemployed. Others, especially those drawing compensation for partial unemployment, may be underemployed and in need of help to realize their full potential.

How can the new techniques we have learned be applied to unemployment insurance beneficiaries? What should be the role of unemployment insurance in the total manpower program? I believe that the time has come to search for a new approach to unemployment insurance, for new concepts in this area, as we have done in the area of employment service.

Goals for Unemployment Insurance in the Manpower Program

Unemployment insurance is an essential tool of the manpower program today. From the beginning of our Federal-State system in the 1930's until now, unemployment insurance has been the Nation's first line of defense against recession and poverty. Our problem is how to evaluate the system in the context of the new approaches, the new tools developed under the manpower program. This problem deserves our immediate attention.

I should like to raise a question to stimulate thought about a new approach to unemployment insurance, to begin a dialogue on the subject. It is this: How can we reduce the length of time during which it is necessary for a worker to draw unemployment insurance benefits?

I am not for a moment advocating a reduction in the statutory provisions with respect to duration of unemployment insurance. Indeed, while this is not relevant to the present discussion, I continue to favor a Federal requirement of at least 26 weeks maximum potential duration, as provided by the UI laws of all but one State and Puerto Rico; furthermore, I favor provision for extended duration under certain circumstances, especially during periods of high unemployment.

The average beneficiary draws payments for two spells of unemployment each year that, combined, add up to a total of 11 to 12 weeks. This experience may vary considerably from State to State and from area to area within the State. It will vary from time to time, also, depending on economic conditions and other factors in the area, the State, and the Nation. However, the question can be stripped to its essential meaning: Are we doing all that we can to reduce to a basic minimum the length of time that an insured worker is unemployed?

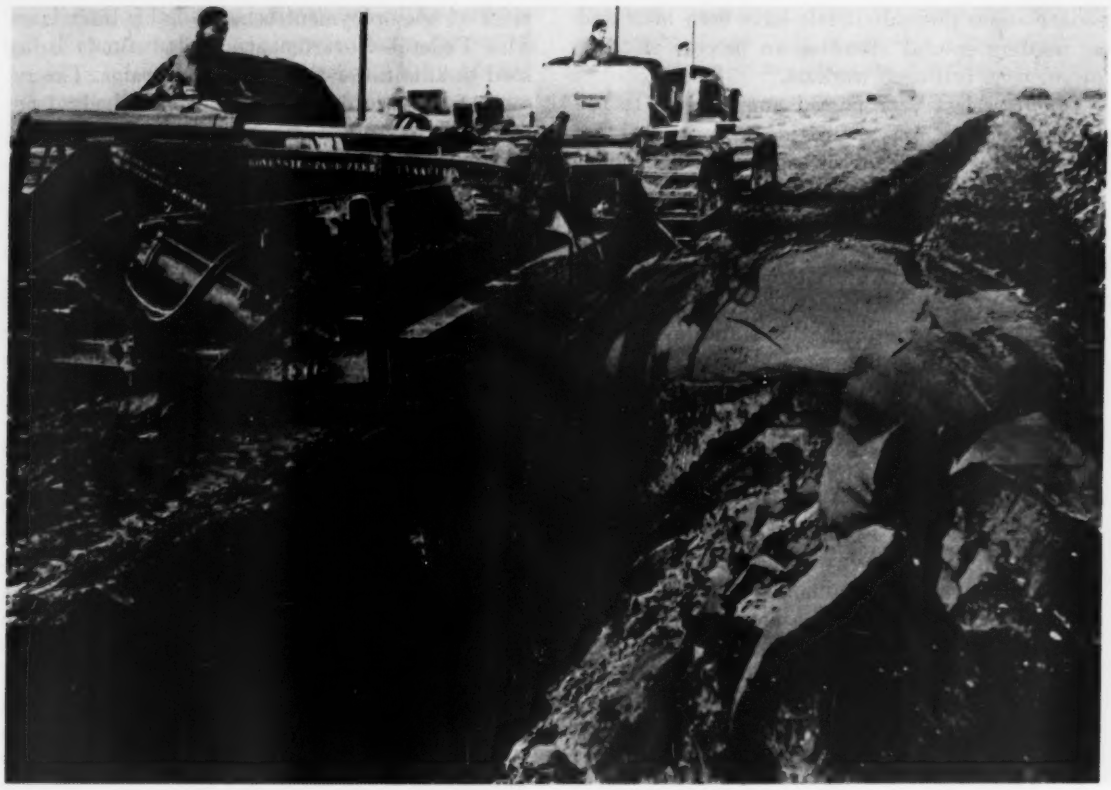
The right to unemployment insurance is an earned right; there is no question in my mind of making eligibility requirements more restrictive. On the contrary, we must think in terms of broadening the scope of the unemployment insurance system, to bring under its protection all workers subject to the risks of unemployment. At the same time, there are people who have intermittent spells of unemployment. Should we be doing more to find suitable jobs for these people, or to train them, while they collect UI benefits?

Within the context of a free society, can we not evolve techniques to solve whatever problems may be inherent in seasonal unemployment? Can we not develop alternative industrial and/or service employment for people who work in resort and vacation areas whose jobs are not year round? Can the work season be expanded in the construction industry generally, as some large building contractors have been able to do, both here and abroad?

What Are Other Countries Doing?

While unemployment insurance systems differ from one country to another and frequently techniques used in one country are not feasible in another, nevertheless we may be able to learn from the experience of others and adapt some ideas for our own use.

The reserve funds for unemployment insurance in Germany, for instance, can be used to stimulate winter housing construction, under a 1959 amendment to the Unemployment Insurance Act. Of course, the situation in Germany differs from that in the United States. This is as true of weather conditions as it is of the unemployment insurance system. So far as UI is concerned, a very important difference is that in our country there is no single



Land reclamation projects are among those employed in compensatory employment programs.

trust fund, that each State's fund is its own and may be used by that State alone. By contrast, the European unemployment insurance reserve funds are national or industry, not provincial, funds. There are other differences. No country except ours has an experience-rating system. All European countries provide for employee contributions to the fund; in Sweden employers do not contribute at all. Unemployment trust funds in Europe frequently are not under sole governmental control. They may be administered by a quasi-governmental or other public authority, such as trade unions or tripartite boards. In Germany the unemployment funds are controlled by the Federal Institute for Employment Service and Unemployment Insurance, an independent government corporation headed by an executive board and a board of directors, each with equal representation of employers, employees, the Federal Government, the States, the municipal associations, and the municipalities.[1]

Perhaps a more intensive review of experience in other countries would lead us to reexamine the underlying philosophy of our own system with a view to possible changes in our basic unemployment insurance law.

Special Attention for UI Claimants

More immediately I should like to suggest that perhaps what is required is to focus on the needs of UI claimants, to establish an intensive program aimed towards this group of people. I suggest we consider a program to provide work and training for UI claimants that would begin early in the spell of unemployment—after 5 weeks or even

[1] Sabel, Anton, "Federal Institute for Employment Service and Unemployment Insurance," in *Employment Service Review*, March 1965, pp. 34–35, 43–45, 67.

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sooner—once the individuals have been identified as needing special attention to become efficient, productive, full-time workers.

Congress last year passed amendments to the Social Security Act to provide a work incentive program for families receiving aid for dependent children. Such a program was believed to be necessary to meet the needs of this group of people. Our data on characteristics of persons trained under the Manpower Development Training Act (MDTA) show that only about 11 percent of these trainees were public assistance recipients. The percentage is almost identical for MDTA trainees who were UI recipients.[2] Some UI claimants may be on their way to becoming hard-core unemployed and may need special services fully as much as those people receiving public assistance, though their requirements probably are different.

It is possible that Employment Service personnel, who are now heavily involved with services for the disadvantaged, cannot be spared from this urgent work to administer a more intensive program for UI claimants. Perhaps the answer may lie in increased coordination of effort between Employment Service and Unemployment Insurance personnel. Again, the techniques for attaining this important goal must be developed. I suggest that some of the ideas, answers, and further questions should come from the people whose daily work is in employment security.

Financing New Programs From Unemployment Reserves

I come now to another area of concern on which I invite dialogue: That is, new uses for unemployment trust funds. New programs undoubtedly could contribute to a reduction in the number of people receiving unemployment insurance benefits and thus could help to produce lower overall costs. What philosophical and political considerations would be involved in using unemployment insurance reserves to finance such new programs?

Any discussion of a social insurance program ultimately must come around to the question of how it should be financed. The present methods of financing unemployment insurance involve use by the States of their trust funds solely for the payment of unemployment benefits under their laws, with Federal Government granted funds being used to administer the States' programs. The reserve funds are derived almost exclusively from employer payroll taxes at rates based on the unemployment experience of individual employers. The tax base for the Federal unemployment tax and for most State taxes has remained at a level which represented 98 percent of total wages in covered employment in the 1930's but which, with constantly rising wages, now represents only about 50 percent. Furthermore, experience rating of employers under the UI system results in differences from State to State among taxpaying employers. The estimated average employer tax rate was 1.6 percent of taxable wages and 0.9 percent of total wages for 1967, as compared with 2.7 percent of total wages in the 1930's before the limitation on the wage base was enacted and before experience rating could become effective.

In a discussion of the financial aspects of the UI system, it must be pointed out that the situation today differs radically from that in the 1930's. We have learned much in recent years about stabilizing the economy, about maintaining high levels of employment, and about avoiding serious economic downturns and recessions. Is it therefore necessary any longer to maintain the unemployment trust funds at their present high levels—a total of nearly $11 billion—the highest in history? Total reserves now represent more than 1½ times the highest cost level during the past 10 years.[3] This is true on the average for the Nation and for most of the State reserve funds. It seems to me that the time has come for our experts to reexamine present criteria for fund adequacy, with a view to determining whether we are not in a sense "overprotected" against any possible onslaught of economic adversity.

I suggest that we ought to take a fresh look at the economic policy objectives in unemployment insurance financing. I think we should ask ourselves a number of questions which were answered in one way 30-odd years ago, but which might be answered differently today. Should unemployment insurance be financed by means of a payroll tax? Should such a tax be paid by employers alone, or by employers and employees? Should the government (State, Federal, or both) contribute also?

[2] Percent of MDTA trainees who were recipients:

Period	UI	PA
Calendar year 1967	10	12
Since beginning of MDTA program (August 1962–September 1967)	15	11

[3] For discussion on reserve fund adequacy, see "Status of State UI Reserve Funds, Dec. 31, 1967," in this issue.

Should Employment Service programs be paid for out of earmarked unemployment taxes, or out of general revenue? Should exceptional demands for unemployment compensation during recessions be paid for out of unemployment reserve funds, or out of general revenue? I invite discussion of these fundamental issues; such discussion should take into account two possible uses for unemployment reserve funds described separately below.

Expenditure of Reserves for Training and Relocation

A possible use for the trust funds would be to pay the cost of the special work-training programs suggested above for UI claimants. Present funds appropriated by the Congress for administering the State programs for UI are quite inadequate and the States cannot be asked to assume new responsibilities without increasing the resources available to them. MDTA funds for training are completely overburdened and funds for relocation and mobility are available only on an experimental basis.

Let us look at the German example. The present contribution rate in the German Federal Republic is 1.3 percent of gross wages, divided equally between employers and employees. While it must be acknowledged that unemployment in Germany is at a relatively low level, nonetheless all German employment service and unemployment insurance operations are paid for out of the unemployment insurance fund. These may include such expenses as training allowances and relocation costs of travel and moving, temporary subsidies, and even a special allowance for a worker who must maintain two households for a period of time.[4]

Would expenditures of UI reserves for purposes such as these be acceptable in the United States? Can a case be made for meeting the costs of training the insured unemployed out of UI trust funds if we continue to pay for training the uninsured unemployed out of general revenue funds? Should the cost of training UI beneficiaries be considered to be an administrative cost, to be paid for out of earmarked unemployment taxes as an Employment Service function? Or should it be considered a benefit cost, to be paid for out of Unemployment Insurance reserves? I suggest that we start to develop new conceptual approaches to use of the unemployment trust funds for purposes of training and relocation. Can we hope to find an approach which might result over the long range in a reduction in unemployment insurance benefit costs?

Investment of UI Fund Reserves

Another possible use for the trust funds would be to stimulate private business activity through capital investments. I recognize that this suggestion is highly controversial. However, it must be borne in mind that such use is an investment, not an expenditure of funds; indeed, it implies that capital will be preserved and interest earned. Such a suggestion is based on the assumption that we do not need instant liquidity for all of the trust funds.

Let us return again to the German example. The so-called "bad weather" payments law in Germany has been given credit for contributing significantly to stabilization at a high level of year-round construction employment. This program includes contribution of a fixed percentage of wages to firms for which building is done; it also includes loans to building contractors to finance the organization and reinforcement of building sites and the provision of necessary machinery, as well as loans and subsidies to pay for winter clothing.[5]

Could such a program be translated into terms which would achieve similar results in the United States? Can we develop a philosophical acceptance of the principle of investment of UI trust funds in private industry for the purpose of reducing unemployment? Can we accept a change in the present legal requirement that UI trust funds must be invested only in interest-bearing obligations of the United States, or in obligations guaranteed as to both principal and interest by the United States?

Urgency of the Dialogue

I suggest that dialogue along these lines has particular urgency at this time. During consideration of unemployment insurance legislation in 1965–66 (H.R. 8282 and H.R. 15119), the attention of the Ways and Means Committee was called time and again to the problem of so-called abuses—whether people drawing unemployment benefits were actually entitled to them, whether they were available for work, what constituted suitable work, and other issues which might call forth possible restrictive legislative action by the Congress at some

[4] Sabel, Anton, *op. cit.*, p. 43.

[5] Stieber, Jack, *Manpower Adjustments to Automation and Technological Change in Western Europe.* Michigan State University, School of Labor and Industrial Relations, February 1966, pp. III–96–97.

future time. While such restrictions on who is to receive unemployment insurance would tend to reduce the employer's taxes and work to his advantage, such restrictions must surely operate to the disadvantage of the worker for whose benefit this program is intended. Preoccupation with negative aspects of the program by many witnesses was bound to have its effect on the Committee and the Congress.

The preservation of a sound unemployment insurance system may depend to a large extent on a willingness to try a new approach to unemployment insurance principles, on new thinking about ways to integrate the unemployment insurance program more effectively into achievement of overall manpower goals, on facing the issue of new uses for unemployment trust funds. It seems to me, we must begin the dialogue now.

Nonbenefit Uses of Unemployment Insurance Funds in the Federal Republic of Germany

Joseph J. Gibbons

In this issue, and on a previous occasion, Assistant Secretary of Labor Stanley H. Ruttenberg has suggested a reexamination of several aspects of the American unemployment insurance system, with a view toward development of new approaches which would adapt the system to present-day requirements. Among the characteristics of our present system which Mr. Ruttenberg believes may deserve restudy are the employment and investment of unemployment insurance fund reserves, and he refers to the German experience as one which contains suggestions for possible changes in employment of reserves in the United States. A brief comparison of the American and German systems is presented here, together with a description of those elements of the German system to which Mr. Ruttenberg refers, in order to provide background information for discussion of the possibilities for nonbenefit uses of unemployment insurance funds suggested in Mr. Ruttenberg's article.

The limitations in Federal and State laws on the use of accumulated reserves in unemployment

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insurance funds in the United States are a reflection of the concerns of the mid-1930's when the unemployment insurance system was created; questions now arise as to the validity of these limitations for the late 1960's. The very large and instantly liquid reserve funds accumulated by some States have been criticized as economically sterile and exceeding the most pessimistic view of foreseeable benefit needs. Of even greater concern, however, have been the statutory restrictions on fund management, investment and use which preclude employment of fund resources in positive ways to create employment and to prevent or reduce unemployment, and which limit their use to the essentially passive role of paying compensation for already existing wage loss and unemployment.

The term "nonbenefit uses" will be used in this article to refer to the expenditure of unemployment insurance funds in other ways or for other purposes than as "cash benefits paid to an individual with respect to his unemployment." The quoted definition of unemployment "compensation" (Section 3306(h) of the Federal Unemployment Tax Act) not only constitutes the principal statutory limitation on uses of moneys in State trust fund accounts but represents a distinctively American view of the line dividing "benefit" and "nonbenefit" uses of unemployment insurance funds. In this view, not even the administrative costs of paying benefits are considered a "benefit" use. The American system does, of course, employ Federal unemployment tax money to meet the administrative costs of the employment security program, both those which are related to the payment of "cash benefits" and those which are not, such as the costs of operating a system of public employment offices. Despite the use of a separate tax jurisdiction and segregation of accounts, however, this is not fundamentally different from the German use of a single tax jurisdiction and payment from a single fund of "cash benefits" and all administrative costs, including operation of public employment offices. The truly fundamental difference lies in the American restriction on the use of State trust fund moneys, which constitute all but a minor portion of the total of unemployment insurance resources, to the payment of "cash benefits" only, as contrasted with the German statutory directive to employ such funds as well for "productive unemployment assistance" and for "productively utilizing the funds which would otherwise have been used to pay unemployment assistance or benefits."

The marked resemblance of the employment security systems of the two countries in main program content, organization and administration, and financing through payroll taxes, invites discussion of those program areas in which they differ. In particular, the wide variety of "nonbenefit" uses to which unemployment insurance funds can be put, as illustrated by the German experience, may serve as a useful basis for reexamination of the limitation on the use of such funds in the Federal-State system in the United States. Despite the surface resemblance, however, the following significant differences should be kept in mind:

1. Although Germany is also a Federal republic, with constituent States, the German unemployment insurance system is national and there is but one unemployment insurance fund. Therefore, programs for the "productive" use of unemployment insurance funds are in Germany not influenced as they are here by the existence of separate State funds, some of which have an excessive reserve while others do not.

2. As already indicated, the distinction between "administrative" funds and "benefit" funds, deriving in the United States from the Federal-State system and use of differing tax jurisdictions, does not exist in Germany.

3. The German system is under the direction and control of a semi-autonomous, public corporation—The Institute for Employment Service and Unemployment Insurance. Determinations of new programs and functions are decided by a tripartite board representing labor organizations, employer associations and public bodies, except that all matters affecting unemployment insurance directly (i.e., contributions, benefits, etc.) are determined solely by labor and management representatives. The Institute operates under a broad grant of authority, and the inflexibility inherent in detailed statutory provisions and/or with the detailed circumscriptions of functions usually applicable to the operations of a government department, are nonexistent.

4. Financing is through an equal contribution by employers and workers, without experience rating. Both rates of contributions

and the taxable wage base, or limitation on the amount of individual wages subject to contributions, can be easily changed to reflect the Institute's determination of income requirements, with the latter being raised frequently to reflect rising wage levels.

In the American system, all State-collected contributions and reserves, plus a significant proportion of Federal collections, are devoted to benefit purposes—cash benefits to individuals with respect to their unemployment and the administrative costs of paying cash benefits and other "nonbenefit" expenditures (i.e., all for Employment Service operation) are not a significant percentage of either expenditures or income in any year. In contrast, the German system has devoted a far higher proportion of total income, as well as of total expenditures, to "nonbenefits" uses (see table) even though full, or even over-full, employment in Germany in recent years has reduced the need for, and the employment of, many such "nonbenefit" uses. Annual expenditures for subsidies and loans to job-creating projects aimed at reducing unemployment, for example, declined from an annual total of DM97 million in 1955 to DM6.5 million in 1962; such projects are now used primarily to provide work for older salaried workers in Berlin, the need for projects elsewhere being nonexistent.

Most nonbenefit uses of unemployment insurance funds in Germany stem from the wide range of responsibilities assigned to the administration of the unemployment insurance system, and are usually justified by the rationale that use of unemployment insurance funds for the particular category of expenditure prevents unemployment and perhaps greater expenditure for benefits. Some, however, bear no relation whatever to unemployment and unemployment insurance; others, while clearly a benefit use, would in many other unemployment insurance systems be considered outside the scope of the system. Typical of the latter are the payment of benefits to returned prisoners of war and to refugees from the Soviet zone with respect to whose wages, if any, no contributions have been collected, and to mine workers, for whom contributions are waived because of the high level of contributions which they must pay under the Miners' Pension Insurance Funds.

A most significant nonbenefit use, however, both in terms of persons affected and amounts expended and in terms of nonrelationship to either employment or unemployment, is the use of unemployment insurance funds to support the German system of children's allowances. An *employed* person receives for the third and every subsequent child, DM40 monthly from the unemployment insurance fund, while an unemployed person receives DM25 for the second and each subsequent child from Federal budgetary sources (i.e., general funds); the unemployment benefit also includes DM9 for every dependent (child or otherwise) paid from the unemployment insurance fund. Because payments are made at all times with respect to 1.9 million children, they constitute a very significant proportion of the total expenditures which, while classed as benefit expenditures by the Germans, would be a nonbenefit use under this article's definition of terms, inasmuch as they are not (except for that small portion paid with the unemployment benefit) a "cash benefit paid with respect to unemployment."

In any reassessment of the Federal-State system in the United States, with a view toward some relaxation of the restrictions on the uses for unemployment insurance funds, and the employment of available or surplus funds to assist in creating employment and preventing unemployment a single listing of the various nonbenefit uses of unemployment insurance funds by the German system could be useful. The following list includes uses to which the German unemployment insurance fund has already been put. It does not include functions and activities which the German administration could undertake but which, for one reason or another, have not yet been attempted. It must be kept in mind that the costs of nonbenefit activities described, taken together with benefit costs, have been supported by relatively low contribution rates on wages, ranging from a high of 3.25 percent for employers and 3.25 percent for employees in 1949, to a current low of 0.65 percent for employers and 0.65 percent for employees. Only the first DM750 ($188) of individual monthly income is subject to the tax.

1. *Employment Service.*—Of the 27,000 employees of the Federal Institute for Employment Service and Unemployment Insurance, only 4,000 are engaged in unemployment insurance activities, including the payments for children's allowances. The largest number of workers (11,000) are engaged in placement. Because the German employment service controls virtually all hiring activities

(only the employment of seamen and entertainers is excluded), this activity represents a major nonbenefit use of contributions to the unemployment insurance fund.

2. *Recruitment of Foreign Workers.*—The costs of maintaining recruiting offices in other countries, the training, relocation, and transportation costs of importing foreign workers, and costs of locating housing for foreign workers, represent a nonbenefit use of unemployment insurance funds.

3. *Children's Allowances.*—See page 7.

4. *Labor Mobility.*—Financial assistance from unemployment insurance funds is furnished to further the mobility of the labor force within Germany through payment from unemployment insurance funds of travel expenses, moving expenses, transportation costs for commuters, temporary subsidies and special allowances for the maintenance of two households. Costs of reporting for job interviews can also be paid.

5. *Subsidies for Persons "Hard to Place."*—For persons of lesser productive capacity, employers are granted from unemployment insurance funds "integration and training allowances" for periods of up to 6 months in order to facilitate job adjustment.

6. *Rehabilitation of Disabled Workers.*—Since 1958, responsibility for the rehabilitation of disabled workers has been assigned to the Federal Institute for Employment Service and Unemployment Insurance. Financial support is given to 80 rehabilitation centers, and both loans and subsidies are granted for equipping workshops. Expenditures for this purpose amount to DM16 million annually. In addition, the Institute provides specialized counseling and the services of placement officers, psychologists, and physicians.

7. *Vocational Guidance.*—The Institute for Employment Service and Unemployment Insurance operates an extensive program of vocational guidance and counseling in cooperation with the school system. While use of this service is not compulsory about 85 percent of all persons leaving school (about 750,000 annually) utilize the vocational guidance program and special counseling centers established by the Institute. Approximately 3,000 of the Institute's 27,000 employees are engaged full time in vocational guidance.

8. *Apprentice Training.*—The devotion of the Germans to their very comprehensive system of apprentice training is, of course, well known. The entire system is supervised by the Institute of Employment Service and Unemployment Insurance, and while an apprentice normally receives an allowance from his employer, the Institute grants an allowance to needy young people, unable to engage in the normal 3-year apprenticeship, who are taking other types of vocational training.

9. *Subsidies and Loans to Job-Creating Projects Aimed at Reducing Unemployment.*—See page 7.

10. *Promotion of Year-Round Employment in the Construction Industry.*—Because the unemployment insurance fund had previously expended for benefits to construction workers unemployed during the winter sums which exceeded the annual contributions of contractors and construction work-

Young German apprentices on the job.

These school-leavers are being prepared in the Berlin Youth Assistance Service electrical workshop for their start in an apprenticeship job.

ers, considerable amounts of nonbenefit expenditures have been devoted since 1959 to reducing or eliminating seasonal unemployment in this industry. On the other hand, a higher than usual benefit scale was allowed to hourly paid workers who stayed with the industry and the employer, but who, despite the preventive measures taken, actually incurred unemployment due to inclement weather. (Retention of the construction work force during winter months is an essential feature of the scheme.) The allowances for actual unemployment and wage loss are, of course, "benefit" expenditures in terms of the definition used in this discussion. All other expenditures in connection with the program are nonbenefit expenditures from the unemployment insurance fund, as follows:

(a) *Grants to Private Individuals and Firms Placing Construction Orders for Execution in Winter Months.*—A grant equal to 11 percent of the total gross wage costs paid by a cooperating building contractor, who has made arrangements for continuance of work on the building project between December 1 and March 31, is given to the person or firm engaging the contractor to construct the building. If the project is one eligible for public assistance (i.e., public-assisted housing), the firm or individual also receives the tax privileges associated with the construction of publicly assisted housing.

(b) *Grants and Loan to Contractors.*—Contractors engaging in winter construction are granted loans for purchase of machines, equipment, accommodations, and protective material needed for winter construction, at low interest rates of 2 percent. If the contractor obtains the loan from a bank, instead of from the Institute, a subsidy amounting to 6 percent of the loan for a period of 5 years is granted.

(c) *Grants to Construction Workers.*—Workers who continue in construction during winter months are granted allowances for travel costs to and from the job, and the costs of winter clothing and required footwear. If distance to and from the job precludes commuting, a second household allowance is provided.

The scheme for promotion of year-round employment in the construction industry constitutes one of the most widely advertised of the various nonbenefit uses for German unemployment insurance funds. Its costs represent a considerable percentage of total expenditures.

The Federal Institute for Employment Service and Unemployment Insurance also operates a program of unemployment assistance. As a program for exhaustees of unemployment insurance or for persons ineligible for unemployment insurance for

INCOME AND EXPENDITURE IN RESPECT OF UNEMPLOYMENT INSURANCE IN THE FEDERAL REPUBLIC [1] AND WEST BERLIN

[In DM1,000s,* divergences in sums caused by rounding off numbers]

Period [2]	Income		Expenditure								Excess of receipts over expenditure, Surplus (+) Deficit, (−) (Column 1 minus col. 3)
	Total	Revenue derived from contributions	Total	UI benefit including children's allowances	Payments to short-time workers, to workers for inclement weather, or for the closing down of a factory	Productive unemployment relief		Promotion of employment, professional training and professional rehabilitation	Cost of implementing tasks in respect of employment	Other general expenditure	
						(a) Loans	(b) Grants				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Financial year 1955	1,806,395	1,617,423	1,406,452	899,215	15,171	69,144	27,760	34,111	341,793	19,259	+399,943
Financial year 1956	1,842,882	1,619,522	1,340,357	870,492	19,718	19,623	19,961	36,258	356,471	17,834	+502,525
Financial year 1957	1,569,427	1,335,495	1,607,489	1,131,937	13,383	15,215	15,516	55,357	361,976	14,105	−38,062
Financial year 1958	1,706,286	1,452,470	1,747,083	1,207,831	34,147	11,921	11,321	59,040	368,951	53,873	−40,798
Financial year 1959	1,883,815	1,614,670	1,248,824	680,501	113,448	9,548	10,678	50,776	367,039	16,836	+634,991
Financial year 1960	1,584,225	1,368,254	617,339	220,752	29,093	4,139	4,720	40,374	285,004	13,210	+966,886
Financial year 1961	1,565,906	1,264,462	1,048,889	367,013	141,926	3,564	4,295	63,928	394,565	15,040	+517,017
Financial year 1962	1,338,449	1,012,121	1,355,704	361,997	411,297	2,059	4,678	72,166	400,772	24,047	−17,255

*$1 equals approximately 4DM.

[1] Unemployment insurance as from July 1959 includes the Saar territory. Unemployment relief from January 1960 includes the Saar territory.

[2] Financial year—Apr. 1 to Mar. 31 of following calendar year. Financial year from 1960 on—Apr. 1 until Dec. 31.

Source: Leder, Herbert, *Unemployment Benefit and Unemployment Insurance*, Federal Ministry of Labour and Social Structure, Druckhaus Sachenstrasse, Essen, 1963, App. 7.

other reasons, it is a wage-related benefit which can extend the unemployment insurance duration of 13 to 52 weeks by as much as an additional 156 weeks. Because it requires a modified means test, and because the unemployment insurance fund is reimbursed from general funds for all benefits paid out, it is not considered here as unemployment insurance, and is classified as neither a "benefit" nor "nonbenefit" use of unemployment insurance funds. Whether the unemployment insurance fund supports the administrative costs of paying unemployment assistance benefits is not clear from available sources; this would constitute a nonbenefit use of unemployment insurance funds, albeit a minor one.

The legislative history of our Social Security Act of 1935 and the record of debates in Congress which preceded the passage of that legislation make it clear that two major considerations, both stemming from depression experience, were responsible for the statutory restrictions both on the use of unemployment insurance funds and on the investment of reserves. Uncertainty existed as to whether the total of 3 percent in Federal and State payroll taxes on total wages (without wage base limitation) then adopted would be sufficient to support even the minimum program contemplated in the light of the mass unemployment which had been recently experienced. Inexperience with the economic effect of payroll taxes and the simultaneous adoption of the Old Age and Survivors Insurance program, also to be financed through payroll taxes, argued against the use of a higher rate while the anticipated benefit payment requirements indicated a need to restrict the use of resources to the basic essential of an unemployment insurance program—"cash benefits paid to an individual with respect to his unemployment." At the same time, State funds were required to be deposited in the U.S. Treasury and invested either in outstanding obligations of the United States or obligations which are guaranteed as to principal and interest by the United States, or in special nonnegotiable obligations issued for the purpose. This requirement as to investment of reserve funds reflected the desire of Congress, anticipating the need for frequent and very heavy withdrawals, to isolate them from the public investment market lest the need to liquidate in order to pay benefits in periods of economic decline result not only in liquidation losses in a depressed securities market, but also in a disastrous effect upon an already depressed investment market. Whether, in the light of reserve position of many State unemployment insurance funds, the continued restriction as to the uses to which reserve funds can be put is necessary or whether, in the

light of the vastly different and expanded investment market of today, the restrictions upon the investment of funds continues to be valid is, of course, a matter for legislative determination.

Sources:

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Status of State UI Reserve Funds, Dec. 31, 1967

Paschal C. Zecca

The year 1967 marked the sixth consecutive year that unemployment insurance reserves of the 52 State systems increased in dollar amount as well as in percent of taxable and of total wages. Totaling a record high of $10.8 billion as of December 31, 1967, these reserves were nearly $950 million (9.7 percent) larger than a year earlier and represented an estimated 6.63 percent of taxable wages and 3.66 percent of total wages paid in covered employment in 1967 (tables 1 and 3).

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Employer tax collections and benefit payments to the insured unemployed are the two principal items that determine the net increase or decrease in reserve funds. The excess of income over disbursements, approximately $950 million, representing the increase in reserve funds for 1967, occurred even though employer tax collections were down ($352 million to $2.7 billion) and benefit payments were up ($321 million to $2.1 billion). (See table 2.) The increase in dollar reserves resulted mainly from the excess of tax collections over benefits ($586 million) and interest earnings on invested funds ($398 million). Some small supplementary items of income and outgo must also be considered

TABLE 1. SUMMARY OF FINANCIAL ACTIVITIES OF STATE UNEMPLOYMENT INSURANCE FUNDS, CALENDAR YEAR 1967

(in thousands)

State	Available reserve fund as of Dec. 31, 1966 1/	Revenue during year				Disbursements during year				Available reserve fund as of Dec. 31, 1967 1/
		Total revenue	Contributions collected 2/	Interest earned	Transfers to State accounts 3/	Total disbursements	Benefits paid	Penalties and interest 4/	Transfers out of State accounts 5/	
UNITED STATES...	$9,828,244	$3,093,875	$2,678,120	$398,301	$17,454	$2,143,983	$2,092,338	$115	$51,530	$10,778,138
Alabama.....	105,541	30,127	25,724	4,331	72	21,710	21,649	--	61	113,957
Alaska.....	20,260	11,506	10,967	539	--	10,861	7,155	--	3,706	20,906
Arizona.....	73,210	20,106	17,072	2,997	37	12,912	12,912	--	--	80,403
Arkansas.....	41,098	15,847	14,132	1,654	61	12,417	12,417	--	--	44,528
California.....	819,502	572,206	538,451	33,530	225	460,221	458,599	--	1,622	931,488
Colorado.....	71,699	10,907	7,838	2,777	292	10,341	10,341	--	--	72,265
Connecticut.....	246,147	63,363	52,920	10,200	243	36,107	36,082	22	3	273,405
Delaware.....	25,729	6,313	5,124	963	226	7,282	7,282	--	--	24,760
Dist. of Col....	68,969	10,859	8,107	2,752	--	7,684	7,572	--	112	72,144
Florida.....	205,603	37,437	28,874	8,452	111	20,520	20,517	--	3	222,522
Georgia.....	226,787	44,690	35,263	9,359	68	20,209	20,063	--	146	251,268
Hawaii.....	27,322	11,869	10,803	1,049	17	10,591	10,591	--	--	28,600
Idaho.....	36,631	9,953	8,480	1,446	27	7,679	7,679	--	--	38,906
Illinois.....	580,468	70,152	47,597	22,170	385	90,273	90,273	--	--	560,347
Indiana.....	225,982	61,524	51,424	9,400	700	32,288	32,288	--	--	255,216
Iowa.....	124,516	15,214	10,222	4,898	94	11,988	11,988	--	--	127,742
Kansas.....	75,203	18,991	15,791	3,083	117	11,069	10,935	--	134	83,125
Kentucky.....	138,715	31,783	26,222	5,561	--	20,360	20,360	--	--	150,138
Louisiana.....	150,615	36,533	30,327	6,073	133	28,526	28,526	--	--	158,621
Maine.....	39,878	10,478	8,821	1,590	67	7,694	7,694	--	--	42,662
Maryland.....	208,710	41,883	33,471	8,412	--	26,739	26,739	--	--	223,854
Massachusetts...	291,700	133,155	121,015	12,032	108	93,582	93,582	--	--	331,273
Michigan.....	607,579	158,284	136,711	21,563	10	168,128	124,697	--	43,431	597,735
Minnesota.....	51,753	45,929	43,385	2,315	229	24,668	24,612	44	12	73,015
Mississippi.....	74,105	13,574	10,499	3,000	75	8,193	8,150	--	43	79,484
Missouri.....	266,231	36,580	26,064	10,445	71	34,855	34,363	--	492	267,957
Montana.....	21,190	6,482	5,645	812	25	5,635	5,635	--	--	22,038
Nebraska.....	45,547	9,811	7,912	1,826	73	6,159	6,159	--	--	49,198
Nevada.....	29,317	11,421	10,295	1,101	25	11,529	11,529	--	--	29,209
New Hampshire...	37,013	7,373	5,828	1,531	14	2,820	2,820	--	--	41,566
New Jersey.....	369,135	171,416	144,899	15,333	11,184	118,616	118,616	--	--	421,936
New Mexico.....	37,851	7,787	6,285	1,499	3	6,928	6,893	--	35	38,709
New York.....	1,472,972	401,133	341,564	59,001	568	312,757	312,757	--	--	1,561,348
North Carolina..	278,579	59,063	47,604	11,459	--	28,052	28,052	--	--	309,589
North Dakota....	7,612	5,054	4,780	274	--	4,464	4,464	--	--	8,203
Ohio.....	515,251	146,089	123,872	21,646	571	71,311	70,943	1	367	590,029
Oklahoma.....	56,403	13,190	10,940	2,250	--	11,112	11,112	--	--	58,482
Oregon.....	114,273	37,665	33,099	4,566	--	30,217	30,217	--	--	121,721
Pennsylvania....	536,001	303,250	278,756	24,494	--	109,131	109,131	--	--	730,120
Puerto Rico.....	64,015	26,465	23,753	2,705	7	18,642	18,642	--	--	71,837
Rhode Island....	64,902	22,432	19,771	2,661	--	14,022	14,022	--	--	73,313
South Carolina..	113,835	27,416	22,723	4,676	17	16,398	16,352	--	46	124,854
South Dakota....	16,194	2,957	2,097	645	215	1,770	1,770	--	--	17,382
Tennessee.....	142,910	47,699	41,627	5,917	155	29,436	29,436	--	--	161,173
Texas.....	292,566	60,772	48,565	12,063	144	28,303	27,355	--	948	325,035
Utah.....	40,461	12,547	10,778	1,590	179	10,585	10,585	--	--	42,424
Vermont.....	15,004	9,117	8,438	679	--	4,243	4,117	13	113	19,878
Virginia.....	169,510	23,720	16,659	6,866	195	9,814	9,814	--	--	183,417
Washington.....	251,502	72,115	61,292	10,655	168	38,099	38,063	36	--	285,519
West Virginia...	72,886	21,150	17,812	3,013	325	12,191	12,191	--	--	81,844
Wisconsin.....	246,869	64,550	54,397	9,933	220	42,662	42,405	--	257	268,758
Wyoming.....	12,492	3,936	3,424	512	--	2,195	2,194	--	1	14,233

1/ Represents sum of balances at end of month in States' clearing account and benefit-payment account, and in State Unemployment Trust Fund Account in the U. S. Treasury; State Unemployment Trust Fund balance in U. S. Treasury includes amounts credited to States' accounts in the Unemployment Trust Fund under the provisions of the Employment Security Administrative Financing Act of 1954 as amended. Includes outstanding advances from Federal account in Unemployment Trust Fund as follows:

December 31, 1966		December 31, 1967	
Alaska.....	$7,677,108	Alaska.....	$3,695,735
Michigan.....	71,187,298	Michigan.....	41,187,298

2/ Data represent contributions, penalties, and interest from employers, and contributions from employees in three States (Alabama, Alaska, and New Jersey) which tax workers. Adjusted for refunds and for dishonored contribution checks.

3/ Includes reimbursements from the Temporary Unemployment Compensation Act of 1961, the Manpower Development and Training Act of 1962, as amended, and the Temporary Unemployment Compensation Act of 1958.

4/ Represents penalties and interest collected from delinquent employers and transferred to States' special administrative fund.

5/ Includes funds withdrawn from the Unemployment Trust Fund for administration and for restoration of funds made available to the States in 1958 under the Temporary Unemployment Compensation Act of 1958 (TUC).

TABLE 2. NONINSTITUTIONAL POPULATION, THE LABOR FORCE,

Calendar year	CIVILIAN POPULATION AND LABOR FORCE 1/ (average monthly number of persons in millions)							SELECTED UNEMPLOYMENT			
	Population	In labor force				Unemployed	Not in labor force	Average monthly covered employment (in millions)	Wages in covered employment (in millions)		Average weekly insured unemployment (in millions)
		Total	Employed						Total	Taxable	
			Total	Nonagricultural	Agricultural						
1954...	108.3	63.6	60.1	53.9	6.2	3.5	44.7	35.4	$137,069	$96,539	1.86
1955...	109.7	65.0	62.2	55.7	6.4	2.9	44.7	36.6	148,638	101,575	1.25
1956...	111.0	66.6	63.8	57.5	6.3	2.8	44.4	39.0	164,508	109,816	1.21
1957...	112.2	66.9	64.1	58.1	5.9	2.9	45.3	39.7	173,644	112,826	1.45
1958...	113.7	67.6	63.0	57.5	5.6	4.6	46.1	38.1	171,521	109,144	2.51
1959...	115.4	68.4	64.6	59.1	5.6	3.7	47.0	39.5	186,897	115,272	1.68
1960...	117.2	69.6	65.8	60.3	5.5	3.9	47.6	40.2	195,086	119,260	1.91
1961...	118.8	70.5	65.7	60.5	5.2	4.7	48.3	40.1	199,044	119,371	2.29
1962...	120.1	70.6	66.7	61.8	4.9	3.9	49.5	41.3	212,576	125,497	1.78
1963...	122.4	71.8	67.8	63.1	4.7	4.1	50.6	42.0	222,979	129,586	1.79
1964...	124.5	73.1	69.3	64.8	4.5	3.8	51.4	43.2	239,159	136,326	1.61
1965...	126.6	74.5	71.1	66.7	4.4	3.4	52.1	45.1	257,914	143,959	1.33
1966...	128.1	75.8	72.9	68.9	4.0	2.9	52.3	47.7	283,917	156,663	1.06
1967...	129.9	77.3	74.4	70.5	3.8	3.0	52.5	3/	3/	3/	1.20

1/ Excludes inmates of institutions, persons under 16 years of age, and members of the Armed Forces.

2/ For total unemployment only.

3/ Not available.

among the various annual financial transactions to derive the net amount of accretion to the reserve fund.

In spite of divergent trends in the economy and a marked difference in the economic climate between the first and second halves of the year, 1967 was a year of economic expansion. The data shown in table 2 provide not only the significant details of the unemployment insurance programs but also comprehensive measures of economic activity. The level of civilian employment was 74.4 million in 1967, an increase of 1.5 million from the 1966 level. Total unemployment edged up by about 100,000 to 3.0 million (representing 3.8 percent of the civilian labor force, the same as for the preceding year).

A close relationship of trends in total unemployment with insured unemployment is, of course, to be expected if only because of the extensive coverage of the program. Insured unemployment averaged 1.2 million, up from 1.1 million in 1966, representing a rate of 2.5 percent. Except for 1966, unemployment in 1967 was at the lowest volume since 1953 and at the lowest yearly rate since 1945. Paralleling somewhat the slight increase in insured unemployment, were the increases in other areas, e.g., in the number of beneficiaries, the duration of insured unemployment, and the number of beneficiaries who exhausted their benefits.

Benefit costs, employer taxes, and year-end reserves as percentages of taxable and total wages in covered employment are shown in table 3. Because of the different taxable wage bases in effect among States, the percentages in relation to *total* wages are more meaningful in making interstate comparisons. Eighteen States had a wage base higher than the Federal base of $3,000 in 1967 (see listing in table 3). The national figures based on total wages were 0.71 percent for benefit costs, 0.9 percent for employer tax rates, and about 3.66 percent for reserve ratio.

On an individual State basis, there were wide

INSURANCE DATA, STATE PROGRAMS

Average weekly number of beneficiaries (in millions)	Benefit Payments				UI Financial Operations (in millions)				Calendar Year
	Average weekly amount 2/	Average actual duration (weeks)	First payments (in millions)	Final payments (exhaustions, in millions)	Collections	Interest credited	Benefits paid	Reserve funds available, Dec. 31	
1.61	$24.93	12.8	6.59	1.77	$1,136.2	$198.6	$2,026.9	$8,219.1	...1954
1.08	25.04	12.4	4.51	1.27	1,208.8	185.0	1,350.3	8,263.9	...1955
1.02	27.02	11.4	4.66	.98	1,463.3	199.6	1,380.7	8,573.6	...1956
1.23	28.17	11.6	5.72	1.14	1,544.3	220.4	1,733.9	8,662.1	...1957
2.22	30.54	14.8	7.83	2.50	1,471.0	199.0	3,512.7	6,952.7	...1958
1.46	30.40	13.1	5.82	1.67	1,955.7	177.9	2,279.0	6,892.2	...1959
1.64	32.87	12.7	6.75	1.60	2,288.5	194.5	2,726.7	6,643.3	...1960
2.00	33.80	14.7	7.07	2.37	2,449.7	176.1	3,422.7	5,802.0	...1961
1.53	34.56	13.1	6.07	1.64	2,952.1	173.4	2,675.4	6,272.9	...1962
1.54	35.28	13.3	6.04	1.57	3,019.1	194.5	2,774.7	6,648.0	...1963
1.37	35.96	13.0	5.50	1.37	3,047.6	224.8	2,522.1	7,296.2	...1964
1.13	37.19	12.2	4.81	1.09	3,053.5	265.8	2,166.0	8,357.4	...1965
.90	39.76	11.2	4.14	.78	3,030.3	329.5	1,771.3	9,828.2	...1966
1.02	41.25	11.4	4.63	.87	2,678.1	398.3	2,092.3	10,778.1	...1967

variations in these figures. The improvement in the reserve level for the Nation as a whole for 1967 (the ratio of reserve funds to total wages) was shared by all but 11 States. The reserve ratio varied considerably by State and ranged from 1.47 percent in Minnesota to 5.72 percent in Washington.

Likewise in benefit costs (based on total wages) practically all the States had higher rates than in 1966. The highest benefit costs were experienced in Alaska and Puerto Rico (1.77 percent each), Nevada (1.42 percent), and California (1.40 percent); the lowest, in Virginia (0.21 percent), Texas (0.22 percent), and in Florida and New Hampshire (0.31 percent each).

Features of Reserve Funds

The function of reserves is to reduce dependence on current tax income during periods of high benefit costs and, in particular, to avoid the need for excessive and untimely tax increases. During periods of relatively low benefit costs, unemployment reserves are accumulated to meet the large benefit outlays of periods of heavy unemployment when substantial declines in reserves are to be expected.

Under this philosophy of financing, the financial status of the unemployment insurance programs revolves around the question of whether State reserve funds are adequate to meet the costs of benefit payments under any economic conditions. Unless the solvency of reserve funds is assured even during recessions, the ability of the program to provide unemployed workers with income protection would be in jeopardy. The unemployment insurance program actually consists of 52 different State systems operating under broad Federal requirements. The pattern of State arrangements to finance unemployment insurance has some marked differences, reflecting in part the differing economic structures in the various States as well as the State prerogatives expressed in the legislative process. This, however, does not in any way

TABLE 3. SELECTED FINANCIAL DATA ON STATE UNEMPLOYMENT INSURANCE PROGRAMS, CALENDAR YEARS 1966 AND 1967
BENEFITS, RESERVES, AND EMPLOYER TAX RATES

State	Tax base $3,000 except as shown, with effective dates 1/	Average employer tax rate: contributions due as a percent of--				Cost rate: Benefits as a percent of--				Reserve ratio: Funds available as of December 31, as a percent of--			
		Taxable wages 1/		Total wages		Taxable wages 1/		Total wages		Taxable wages 1/		Total wages	
		1967 2/	1966	1967 3/	1966	1967 4/	1966	1967 4/	1966	1967 4/	1966	1967 4/	1966
UNITED STATES..		1.6	1.91	0.9	1.05	1.29	1.13	.71	.62	6.63	6.27	3.66	3.46
Alabama.....		5/1.1	5/1.17	5/ .7	5/ .68	1.09	.87	.64	.51	5.73	5.50	3.37	3.22
Alaska.....	$7,200 (1/60)	5/2.9	5/2.84	5/2.3	5/2.21	2.26	2.22	1.77	1.73	6/6.61	6/6.84	6/5.17	6/5.33
Arizona.....	3,600 (1/65)	1.6	1.48	1.0	.90	1.15	.92	.71	.56	7.14	6.82	4.39	4.15
Arkansas.....		1.3	1.59	1.0	1.06	1.14	.96	.77	.65	4.10	3.98	2.76	2.67
California.....	3,800 (1/67)	2.8	2.87	1.6	1.75	2.35	2.15	1.40	1.30	4.78	4.26	2.85	2.59
Colorado.....		.8	1.19	.4	.64	.79	.73	.42	.39	5.52	5.69	2.96	3.06
Connecticut....		1.8	2.10	.9	1.03	1.27	.94	.62	.46	9.59	9.02	4.71	4.44
Delaware.....	3,600 (1/55)	.9	1.05	.5	.56	1.33	1.07	.71	.58	4.54	4.74	2.41	2.54
Dist. of Col...		.9	.98	.5	.50	.83	.82	.42	.42	7.87	7.76	3.97	3.94
Florida.....		.8	.89	.5	.52	.53	.47	.31	.28	5.76	5.64	3.38	3.30
Georgia.....		1.2	1.19	.7	.71	.66	.47	.39	.28	8.28	7.88	4.93	4.67
Hawaii.....	4,600 (1/67)	1.7	1.72	1.2	1.20	1.65	1.24	1.17	.87	4.47	4.45	3.15	3.10
Idaho.....	3,600 (1/63)	2.0	1.99	1.4	1.31	1.73	1.38	1.13	.91	8.77	8.36	5.74	5.49
Illinois.....		.4	.81	.2	.39	.90	.73	.43	.35	5.57	5.99	2.70	2.90
Indiana.....		1.2	1.24	.6	.63	.75	.50	.38	.25	5.90	5.39	3.01	2.75
Iowa.....		.6	.58	.3	.31	.72	.49	.39	.26	7.70	7.92	4.15	4.25
Kansas.....		1.2	1.43	.7	.79	.88	.80	.49	.44	6.71	6.37	3.72	3.50
Kentucky.....		1.0	1.39	.6	.81	1.14	.88	.67	.52	8.42	8.22	4.96	4.80
Louisiana.....		1.2	1.73	.7	.97	1.27	.93	.72	.52	7.04	7.13	3.98	4.00
Maine.....		1.3	1.47	.8	.91	1.16	1.02	.72	.64	6.42	6.26	3.99	3.87
Maryland.....		1.3	1.77	.7	.95	1.01	.86	.55	.47	8.49	8.30	4.61	4.48
Massachusetts..	3,600 (1/62)	2.0	2.53	1.2	1.49	1.64	1.58	.96	.93	5.79	5.30	3.42	3.13
Michigan.....	3,600 (4/63)	1.6	2.14	.9	1.12	1.46	.94	.76	.49	6/7.01	6/7.30	6/3.66	6/3.81
Minnesota.....	4,800 (1/66)	1.2	1.29	.9	.88	.71	.61	.49	.41	2.11	1.60	1.47	1.09
Mississippi....		.7	1.28	.5	.84	.76	.60	.50	.39	7.45	7.29	4.89	4.77
Missouri.....		.7	1.31	.4	.68	.97	.86	.51	.45	7.59	7.86	3.94	4.08
Montana.....		1.5	1.50	.9	.89	1.51	1.44	.89	.86	5.89	5.75	3.48	3.41
Nebraska.....		.9	.95	.5	.54	.76	.79	.44	.45	6.09	5.92	3.49	3.38
Nevada.....	3,800 (4/65)	2.0	1.97	1.3	1.24	2.24	2.20	1.42	1.39	5.68	5.68	3.59	3.59
New Hampshire..		1.2	1.21	.7	.73	.51	.36	.31	.22	7.54	7.05	4.53	4.24
New Jersey.....		5/2.2	5/2.29	5/1.1	5/1.12	2.03	1.86	.99	.91	7.22	6.52	3.54	3.20
New Mexico.....		1.3	1.29	.8	.75	1.31	1.18	.75	.69	7.35	7.25	4.20	4.20
New York.....		1.9	2.55	1.0	1.25	1.80	1.88	.88	.92	8.99	8.74	4.39	4.28
North Carolina.		1.3	1.28	.9	.82	.78	.61	.50	.39	8.60	8.13	5.50	5.17
North Dakota...		2.2	2.20	1.3	1.29	1.96	2.46	1.15	1.44	3.60	3.38	2.12	1.99
Ohio.....		1.3	2.13	.6	1.02	.80	.61	.39	.29	6.68	6.00	3.23	2.90
Oklahoma.....		.8	1.13	.5	.63	.83	.81	.46	.45	4.36	4.37	2.43	2.43
Oregon.....	3,600 (1/65)	1.9	1.95	1.2	1.20	1.76	1.25	1.08	.77	7.10	6.75	4.36	4.16
Pennsylvania...	3,600 (1/64)	2.4	2.75	1.5	1.61	.96	.79	.56	.46	6.44	4.89	3.77	2.86
Puerto Rico....		2.7	2.71	2.2	2.12	2.24	1.94	1.77	1.52	8.64	8.19	6.80	6.41
Rhode Island...	3,600 (1/56)	2.2	2.27	1.5	1.45	1.59	1.39	1.01	.89	8.29	7.65	5.26	4.87
South Carolina.		1.3	1.33	.9	.85	.97	.61	.63	.39	7.43	7.10	4.78	4.54
South Dakota...		.8	.86	.5	.51	.75	.80	.44	.47	7.34	7.07	4.36	4.20
Tennessee.....	3,300 (1/63)	1.6	1.71	1.0	1.08	1.04	.70	.67	.44	5.71	5.34	3.66	3.39
Texas.....		.6	.84	.3	.47	.39	.45	.22	.25	4.63	4.44	2.60	2.47
Utah.....	4,200 (1/64)	1.5	1.49	1.0	.99	1.44	1.26	.96	.84	5.79	5.63	3.86	3.75
Vermont.....	3,600 (1/64)	2.5	2.87	1.7	1.89	1.23	1.01	.82	.67	5.94	4.78	3.94	3.15
Virginia.....		.7	.69	.4	.41	.36	.28	.21	.17	6.72	6.44	3.97	3.80
Washington.....		2.3	2.40	1.2	1.24	1.47	1.30	.76	.67	11.02	10.33	5.72	5.33
West Virginia..	3,600 (1/62)	1.3	1.36	.8	.81	.96	.80	.58	.48	6.47	6.00	3.86	3.58
Wisconsin.....	3,600 (1/66)	1.5	1.51	.8	.86	1.18	.95	.67	.54	7.47	7.15	4.27	4.08
Wyoming.....		1.6	2.04	1.0	1.22	1.14	1.19	.68	.71	7.43	6.53	4.39	3.91

1/ Taxable wages are those portions of the aggregate wages in covered employment which are subject to State unemployment insurance taxes. Taxable wages are limited to the first $3,000 of earnings in all States except 18.

2/ Estimates of average employer tax rates prepared by State employment security agencies.

3/ Estimated by Bureau of Employment Security.

4/ Due to 6-month lag in reporting wages, tax and cost rates and reserve ratios for December 31, 1967, have as their base, wages for the 12-month period ending 6 months prior.

5/ Excludes employee contributions.

6/ The reserve on which this ratio is based includes the amount advanced from the Federal Unemployment Account in the Federal Unemployment Trust Fund and not repaid. See table 1, footnote 1.

modify a fundamental concept of sound financing of unemployment insurance—that is, that there must be a balance between income and outgo which must be achieved over a period of time. Consequently, reserve funds must always be sufficient to meet future recession costs if solvency of the system is to be assured even during such periods when benefit payments are heavy.

Fund adequacy.—A measure of reserve-fund adequacy has been developed by the staff of the Bureau of Employment Security. Based on an analysis of the full cost of a recession, it was determined that the *minimum* adequate reserve level is one in which the current reserve ratio (dollar reserves as a percent of total wages) is equal to 1.5 times the highest consecutive 12-month benefit-cost rate during the previous decade.[1] This figure provides a guide to the minimum reserve level that is required to finance the benefit costs of a recession in the future similar to one experienced in the recent past. Future recession costs may vary for different States because of economic developments which may have changed the sensitivity of the State economy to economic fluctuations; therefore this measure must be kept flexible and adjusted as warranted.

As shown in table 4, total reserves ($10.8 billion) on December 31, 1967, representing 3.66 percent of total wages in that year, amounted to 1.79 times the highest 12-month benefit-cost rate (2.05 percent for the period ending December 1958) during the 1958–67 decade, compared with a multiple of 1.69 at the end of the previous year. There is wide variation in this multiple by State. At the end of 1967, 12 States had reserve funds less than 1.50 times their high-cost rates, while in two of these States the current reserve ratio was less than their high-cost experience (a multiple of less than 1). A multiple of at least 2 was indicated for 25 States; 11 States had a multiple of 3 or more, and four States had a multiple of 4 or more.

Unemployment Trust Fund.—Practically all of the total State reserves is held in the respective State-Federal unemployment account established in the Treasury. Since the unemployment insurance program consists of 52 different State systems, there are 52 State accounts in the Unemployment Trust Fund. These accounts are the property of the individual States. The total amount in the State accounts was $10,756 million at the end of 1967.[2] There are other accounts in the trust fund, but these represent a very small proportion of the total—4 percent of the total assets held by the fund on December 31, 1967 ($11,209 million). These other accounts include the Federal unemployment account ("loan fund"), the employment security administration account, and the railroad unemployment benefit and administration accounts. The composition of the Unemployment Trust Fund is shown in the following tabulation:

Account	Amount (in millions)
Total	$11,208.6
State accounts	10,755.8
Federal unemployment account	441.7
Employment security administration account	1.5
Railroad unemployment insurance accounts	9.6

The Federal unemployment account.—This is the loan fund which provides noninterest-bearing advances to State systems with low unemployment insurance reserve funds. This fund had total assets of $486,579,829 on December 31, 1967, of which $441,696,796 was in cash and $44,883,033 in accounts receivable. The increase in total assets during 1967, amounting to $27.4 million—a 6.0 percent increase—resulted from (1) interest earnings of $18.5 million on the total assets of the loan fund, and (2) an excess of $8.9 million in Federal taxes for fiscal year 1966. The increase in total assets of $27.4 million and the repayment of $34.0 million in loan indebtedness by two States (Alaska and Michigan) increased the cash balance in the fund by $61.4 million during the year. The following tabulation summarizes the fund's operations during the year:

[1] These ratios may be more easily grasped when presented as follows:

$$\text{Reserve multiple} = \frac{\text{current reserve ratio}}{\text{highest average 12-months benefit-cost rate in previous decade}}$$

$$\text{Reserve ratio} = \frac{\text{\$ amount of reserves}}{\text{aggregate total wages (latest available 12-month period)}}$$

$$\text{Benefit-cost rate} = \frac{\text{\$ amount of benefits (12 consecutive months)}}{\text{aggregate total wages (same 12 months)}}$$

[2] Total State reserves of $10,778 million at the end of 1967 include amounts in the State trust fund accounts ($10,756 million) and in the individual State benefit payment and clearing accounts.

Item	Amount (in millions)
Total assets, Jan. 1, 1967	$459.2
(1) Cash balance	380.3
(2) Title XII advances outstanding	78.9
Transactions during year	61.4
(3) Excess collections credited	8.9
(4) Interest credited	18.5
(5) Title XII advances repaid	34.0
Total assets, Dec. 31, 1967	486.6
(6) Cash balance (1)+(3)+(4)+(5)	441.7
(7) Title XII advances outstanding (2)−(5)	44.9

The Federal unemployment account is built up and maintained from any excess of Federal payroll tax receipts over the cost of administration of the employment security program, on both State and Federal levels. The balance in the account is limited to $550 million or 0.4 percent of the aggregate of the calendar year taxable wages of all States, whichever is *greater*.

The total amount initially advanced from the loan fund was $233,765,000, and repayments through December 31, 1967, amounted to $188,881,967, leaving a balance of $44,883,033 still outstanding from two States. These are Alaska, with an initial indebtedness of $8,765,000, and total repayments of $5,069,265, and Michigan, which had repaid $71,812,702 of its $113,000,000 advance by December 31, 1967.

The investment policy with respect to the Unemployment Trust Fund, as prescribed by section 904(b), title IX of the Social Security Act, is restricted to interest-bearing obligations of the U.S. Government or to obligations guaranteed as to principal and interest by the United States. The Secretary of the Treasury has the duty to invest that portion of the trust fund which is not needed to meet current withdrawals. For this purpose, the assets of all 56 accounts in the fund (52 State accounts, two railroad accounts, and two Federal accounts) are invested as a unit. Interest earned on investments is distributed quarterly among all the accounts on the basis of the average daily balance of each account.

In recent years the great bulk (three-quarters to four-fifths) of the funds has been invested in special issues, which have 1-year maturity dates.

TABLE 4. RESERVE RATIO (RESERVES AS PERCENT OF TOTAL WAGES) AT END OF SPECIFIED PERIOD AS A MULTIPLE OF HIGHEST CONSECUTIVE 12-MONTH BENEFIT COST RATE (BENEFIT PAYMENTS AS A PERCENT OF TOTAL WAGES) DURING THE PRECEDING 10-YEAR PERIOD

State	December 31, 1967				December 31, 1966	
	Reserve ratio 1/ (Percent)	Highest consecutive 12-month cost rate 1958-1967		Multiple of reserve ratio to highest cost rate	Reserve ratio (Percent)	Multiple of reserve ratio to highest cost rate 2/
		Rate (Percent)	12 months ending			
UNITED STATES	3.66	2.05	Dec '58	1.79	3.46	1.69
Alabama	3.37	1.93	Nov '58	1.75	3.22	1.67
Alaska	3/ 5.17	4.33	Aug '58	1.19	3/ 5.33	1.23
Arizona	4.39	1.16	Sep '65	3.78	4.15	3.58
Arkansas	2.76	1.76	Aug '61	1.57	2.67	1.52
California	2.85	2.26	May '61	1.26	2.59	1.15
Colorado	2.96	1.26	May '63	2.35	3.06	2.43
Connecticut	4.71	2.87	Jan '59	1.64	4.44	1.55
Delaware	2.41	1.60	Feb '59	1.51	2.54	1.59
Dist. of Col.	3.97	.77	Jan '64	5.16	3.94	5.12
Florida	3.36	1.13	Oct '61	2.99	3.30	2.92
Georgia	4.93	1.59	Nov '58	3.10	4.67	2.94
Hawaii	3.15	1.85	Jul '62	1.70	3.10	1.68
Idaho	5.74	2.24	Aug '61	2.56	5.49	2.45
Illinois	2.70	1.72	Feb '59	1.57	2.90	1.69
Indiana	3.01	1.73	Nov '58	1.74	2.75	1.59
Iowa	4.15	.97	Dec '61	4.28	4.25	4.38
Kansas	3.72	1.37	Feb '61	2.72	3.50	2.55
Kentucky	4.96	2.77	Oct '58	1.79	4.80	1.73
Louisiana	3.98	1.95	Oct '61	2.04	4.00	2.05
Maine	3.99	2.84	Oct '58	1.40	3.87	1.36
Maryland	4.61	2.19	Dec '58	2.11	4.48	2.05
Massachusetts	3.42	2.06	Oct '58	1.66	3.13	1.52
Michigan	3/ 3.66	3.69	Dec '58	.99	3/ 3.81	1.03
Minnesota	1.47	1.70	Dec '58	.86	1.09	.64
Mississippi	4.89	1.97	Aug '61	2.48	4.77	2.42
Missouri	3.94	1.26	Nov '58	3.13	4.08	3.24
Montana	3.48	3.03	Oct '58	1.15	3.41	1.13
Nebraska	3.49	.98	Oct '58	3.56	3.38	3.45
Nevada	3.59	2.75	Oct '58	1.31	3.59	1.31
New Hampshire	4.53	1.83	Nov '58	2.48	4.24	2.32
New Jersey	3.54	2.63	Nov '58	1.35	3.20	1.22
New Mexico	4.20	1.64	Oct '61	2.56	4.20	2.56
New York	4.39	2.18	Feb '59	2.01	4.28	1.96
North Carolina	5.50	1.82	Oct '58	3.02	5.17	2.84
North Dakota	2.12	1.86	Nov '61	1.14	1.93	1.07
Ohio	3.23	2.44	Dec '58	1.32	2.90	1.19
Oklahoma	2.43	1.34	Aug '61	1.81	2.43	1.81
Oregon	4.36	2.85	Sep '58	1.53	4.16	1.46
Pennsylvania	3.77	3.02	Jan '59	1.25	2.86	.95
Puerto Rico 4/	6.80	2.11	Nov '64	3.22	6.41	3.04
Rhode Island	5.26	2.97	Sep '58	1.77	4.87	1.64
South Carolina	4.78	1.36	Sep '58	3.51	4.54	3.34
South Dakota	4.36	1.04	Jan '64	4.19	4.20	4.04
Tennessee	3.66	2.18	Jan '58	1.68	3.39	1.56
Texas	2.60	.98	Jan '59	2.65	2.47	2.52
Utah	3.86	1.38	Nov '58	2.80	3.75	2.72
Vermont	3.94	2.17	Oct '61	1.82	3.15	1.45
Virginia	3.97	.97	Jan '59	4.09	3.80	3.92
Washington	5.72	2.20	May '61	2.60	5.33	2.42
West Virginia	3.86	2.63	Jan '59	1.47	3.58	1.36
Wisconsin	4.27	1.82	Jan '59	2.35	4.08	2.24
Wyoming	4.39	2.44	May '63	1.80	3.91	1.60

1/ Due to a 6-month lag in reporting wages, reserve ratios and cost rates for December 31, 1967, have, as their base, wages for the 12-month period ending 6 months prior.
2/ High cost rates for period 1957-1966 same as those shown for period 1958-1967.
3/ The reserve on which this ratio is based includes the amount advanced from the Federal Unemployment Account in the Federal Unemployment Trust Fund and not repaid. See table 1, footnote 1.
4/ Puerto Rico covered under Federal Unemployment Tax Act, January 1, 1961.

The rate set on special issues in the Unemployment Trust Fund is based on the average coupon interest rate on the total interest-bearing debt and is specified in the law as "a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt * * *." Holdings of the special obligations of the Unemployment Trust Fund represented 76 percent of the portfolio at the end of 1967, and earned interest at an average rate of 4.02 percent. The other parts of the portfolio—24 percent—represented investments in public issues, Federal

agency issues, and participation certificates. At the end of 1967, the average rate of interest on all investments in the Unemployment Trust Fund was 3.99 percent. In the table below, the types of securities and their face value are shown.

Type of securities	Amount (in millions)
Total	$11, 176. 8
Public issues [1]	2, 254. 0
Special certificates [2]	8, 501. 3
Agency issues [3]	196. 5
Participation certificates [4]	225. 0

[1] Consists of notes and bonds with interest rates ranging from 2½ to 5¼ percent.
[2] With interest rates of 4, 4½, and 4¼ percent.
[3] Includes bonds and debentures of three Government-sponsored enterprises. Federal home loan banks (FHLB), Federal intermediate credit banks (FICB), and the Federal National Mortgage Association (FNMA), with interest rates ranging from 4.45 to 6 percent.
[4] Interest rates vary from 4.75 to 6.40 percent.

Two types of issues, now held by the Unemployment Trust Fund have been recently included in the portfolio for the first time. These are Federal agency obligations and "participation certificates." Agency obligations, which are expressly guaranteed as to principal and interest by the United States, include bonds and debentures issued by the Federal National Mortgage Association, the Federal home loan banks, and the Federal intermediate credit banks. Holdings of agency obligations, initiated in August 1966, formed 1.8 percent, or $196.5 million, of the entire portfolio. The other new type of security, participation certificates (PC), originating under the Participation Sales Act of 1966 and invested by the trust fund for the first time in January 1967, are debt instruments of six Federal credit agencies,[3] backed by an earmarked pool of agency assets (mortgages or loans). The payment of principal and interest of PC's is guaranteed by the Federal National Mortgage Association, which has been designated by the law as trustee in the sale of all PC's. This guarantee by FNMA has been stated by then Attorney General Katzenbach, in a letter to the Secretary of the Treasury, Henry Fowler, as being backed by the "full faith and credit" of the United States. This reasoning is based on the fact that under the law FNMA can borrow from the U.S. Treasury, if need be, to meet the timely payment of either principal or interest. Holding of PC's by the Unemployment Trust Fund amounted to 2.0 percent of total invested funds, or $225.1 million, on December 31, 1967.

This analysis of the status of reserve funds has indicated that reserve accumulation and solvency safeguards are substantive aspects of the financing of unemployment insurance. Although reserve funds are held in the Federal fund (except a relatively small amount held by individual States) and are treated as a unit when invested by the Secretary of the Treasury, they remain the property of the individual States. For this purpose, the Unemployment Trust Fund maintains 52 State accounts and each State has to finance its own unemployment insurance program. Any policy issue with regard to financing (or even the broader aspects of unemployment insurance) must, therefore, take into account that all funds for the payment of benefits are the property of the several States even though such funds are deposited with the Treasurer of the United States.

[3] The agencies are: The Small Business Administration, Department of Housing and Urban Development (including the Federal National Mortgage Association), Veterans Administration, Export-Import Bank, Farmers Home Administration (only for land acquisition loans, rural housing loans, and crop production loans), and the Office of Education (only for loans made for the construction of academic facilities).

Issues Reflected in Recent Appeals Decisions

A New Look at the Availability of Students

Margaret Broome

An understandable response often voiced by a claimant when informed by the claims examiner that he is considered not available for work (and hence disqualified to receive unemployment benefits) solely because he is a student, is: "I don't understand. All I read and hear about is the importance of an education and the waste of a life of a dropout. I need an education and I am willing to work to obtain it. I have worked for 2 years while attending school. Why shouldn't I be considered available for work?"

Should the fact that he is a student bar a claimant from unemployment insurance benefits? If he has been attached to the job market sufficiently to have been insured for benefits, and holds himself available for a reasonable amount of the type of work he had performed previously and for a reasonable number of hours, why should he be denied benefits? Yet many States have special provisions limiting the benefit rights of students who have covered employment. Five States [1] impose coverage restrictions on the part-time work of students and most States exclude service performed by them for the educational institutions in which they are enrolled.

All State laws provide that, to receive benefits, a claimant must be able to work, be available for work, must be in the labor force, and his unemployment must be due to lack of work. The many considerations inherent in the concept of availability, both statutory and by interpretation, are brought to bear upon the question of a student who claims that, notwithstanding his attendance at school, he remains a members of the labor force. Appeals decisions reveal a concern over the students' limitations on their acceptance of employment, although these may be necessary, too often resulting in unrealistic harsh decisions which disqualify students generally for not being available around the clock.

Training and education have been increasingly encouraged and publicized since the question of "Availability of College Students" [2] was considered in July 1962. How have our appeals bodies reflected the latest crusades to see that everyone who is able to work but lacks the marketable skills for a job is "trained" for suitable work, and to see that we have a sufficient number of people with a specialized "education" gained from college or its equivalent, who will be prepared to cope with the cybernetic era, the age of automation and computers, which we have already entered?

Many Federal programs have been set up to aid certain groups for training or education necessary

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[1] Iowa, Massachusetts, New Jersey, New York, and Ohio.

[2] "Recent Appeals Decisions on Unemployment Benefits," the *Labor Market and Employment Security* (July 1962), pp. 22–25.

to do a specific job. The Manpower Development and Training Act (MDTA) of 1962 prepares and trains for available work the hard-core unemployed, the underemployed, and those unemployed because of technological change. Many States, either by legislative provision or by policy decision, have accepted the principle that trainees under MDTA can collect unemployment insurance benefits if they are otherwise eligible and that they do not have to look for work or accept work while training. But full-time high school or college students may or may not be considered eligible, even though they may be otherwise eligible and looking for work while attending school. What is the dividing line between "training" and "education" when either or both may be necessary to qualify for a job? Should a student who is not aided by the Government, who is insured and attached to the labor force, perhaps even willing to take the same type of work, have at least the same benefit of the rules of availability as the usual worker?

In the past two decades, the proportion of students among all young workers age 14 to 24 has more than doubled—from 15 percent in 1948 to 34 percent in 1966.[3] For many, continuing in school is contingent upon having a job. Considering the probable future expansion of this special group of workers, as the apparent need for workers with specialized education increases during our advance into the cybernetic era, should the unemployment insurance availability requirements be less stringent so that a student may be considered to be attached to the labor force and, in spite of his student status, his availability be determined on its individual merits? How is this issue being resolved today?

Nine States still have special provisions disqualifying all full-time students. Section 48–628 of the Nebraska Employment Security Law provides that:

> An individual shall be disqualified for benefits * * * (g) For any week of unemployment if such individual is a student. * * *

The reasoning for this provision is contained in Nebraska Appeal Tribunal Decision No. 183, vol. XXXIII, Jan. 10, 1968.

> The difficulty of determining whether or not an individual is attached to an accessible labor area, either while attending school or during vacation or other periods subsequent to graduation, prompted the legislature to pass the portion of the statutory provisions, *supra*. The express purpose of the subsection is to disqualify students from receiving unemployment insurance benefits during the school year and for certain ensuing periods. Whenever a school term has started that an individual can attend and he does not so attend such term, the presumption is that he is no longer pursuing his academic studies and has made a definite entrance into his labor area.

Several States have exceptions to student disqualification. But the necessity to define "student," or other related terms, as they are used in a restricting provision, may result in inequities. One such instance is amply demonstrated by the Indiana Review Board in Decision No. 66–R–211, March 22, 1967, and affirmed by the Indiana Appellate Court, September 25, 1967, in *Stephen M. Simpson* v. *Review Board and Guide Lamp Division of General Motors Corp.* (CCH, Ind., par. 8317).

In considering the case of a claimant who had attended the spring term, the Board quotes from the decision of the Indiana Appellate Court, *Reno* v. *Review Board*, July 27, 1965, BSSUI, AA–40–127; CCH, Ind., par. 1950.04, which held unavailable a claimant who attended the summer term of a "regularly established school," who did not enroll for the fall term but, subsequently, enrolled for the winter term, and who, while attending the winter classes, was employed until laid off within the winter term.

Section 1403(a) of the Indiana Employment Security Act considers individuals attending school, college, hospital, or training school as unavailable for work, but *students enrolled in "regularly established schools" who customarily work full time are not considered unavailable when unemployed.* [Emphasis supplied.] The Court concluded that "enrolled" for the purpose of this exception meant being enrolled in the fall school term. The Court held as the proper interpretation of the Act on the unavailability of students:

> * * * that the legislature here intended enrollment in the fall term to be the limiting factor in relation to who would qualify within the specified exception to the general rule.

The Board further stated in its decision that it was in complete agreement with the Court's comment:

> While we agree that the inequities in this interpretation are apparent it is not the office of this court to substitute its words for the words of the legislature when the

[3] Vera C. Perrella, "Employment of School Age Youth, October 1966," *Monthly Labor Review*, August 1967, vol. 90, No. 8, pp. 20–22. U.S. Department of Labor, Washington, D.C.

legislative intent is certain. * * * If hardship results the remedy is with the legislature.

On the other hand, when the law does not make specific provision with respect to availability of students, interpretations of its meaning in the different States present confusing results, with emphasis on a variety of principles in relation to students.

A Missouri referee's decision reflects the principle that availability constitutes being available for the normal daytime working hours. He held unavailable a college sophomore majoring in business management, whose classes ended at 1:30 p.m., who had worked evenings in a grocery store, and previously, the 3:30 to midnight shift at a factory, and while in high school, nights and weekends at a gas station, and who actively sought work. He reasons:

It has been consistently held that to be considered available for work it is necessary to be ready and willing to work during the normal working hours of each normal workday of the week. The decisions have held that these normal working hours are the usual morning and afternoon hours and that for this reason full-time day students cannot be considered available for work as that term is intended in the Law. This is true even though the claimant's previous work experience has been almost entirely during hours that would not interfere with his classwork. Furthermore, he remains unavailable for work under the Law during the weeks of his Christmas vacation. It is very unlikely that he would be hired for full-time work when it would be necessary for him to resume classes in 2 weeks or less. It is noted further that under ordinary circumstances students are expected to spend some time studying in addition to the actual hours spent in the classroom. (Referee Decision No. 97–68, Feb. 16, 1968.)

However, another Missouri referee allowed benefits to a 48-year-old student, based on the principle that willingness to leave school to accept a job if offered satisfied the availability requirement, notwithstanding her school attendance during normal daytime hours. He concluded:

Being available for work requires being ready, willing and able to accept full-time employment during any of the workday hours which are typical for the claimant's kind of work. The claimant's work experience in recent years has been in the food service business in a restaurant and a school cafeteria. Typical hours of work in such a business are from early morning to late evening. The Referee believes the claimant's testimony that she has been and is willing to work during any of those hours and that, if she had been offered a job at hours which conflicted with her present 11 a.m. class attendance, she would have discontinued her class attendance. Thus, the Referee believes that the claimant's class attendance has not and does not interfere with her willingness to work and her availability for work. (Referee Decision No. A–614–68, Mar. 15, 1968.)

The principle of willingness to leave school constituting availability is disregarded in a New Mexico decision in which the referee placed the emphasis on the claimant's past pattern of performance. The student was held available although "* * * he, however, has no intention of dropping out of school in the event that he might be unsuccessful in locating and accepting suitable employment." This 18-year-old high school student, while continuing his classes, had worked for the past 4 years and was seeking work as a dishwasher, sack or delivery boy, service station helper, or any work that he might be able to perform and which he would be able to do from 3 p.m. until midnight. The referee's explanation is as follows:

Full-time attendance at an institution for academic learning creates a presumption that a claimant is unavailable for work. To overcome such presumptions, the claimant must have established a definite pattern of substantially full-time work within his base period quarters during regular school terms *and* vacation periods, showing that school attendance will not in itself interrupt substantially full-time employment. Further, because of a student's engagement in a full course of study, it can reasonably be assumed that he, therefore, could not be adequately engaged in an active search for work to the extent that he could meet the work-search provisions of the Law; however, it is obvious that evaluation of a claimant's work search must be done on an individual case basis. Here, the evidence shows that the claimant has established a definite pattern of performing a substantial amount of work while attending school. He has further demonstrated sincere and reasonable efforts to become re-employed while continuing to attend school. It is concluded, then, that the claimant, even though a full-time student, is *bona fide* in the labor market. After considering his particular circumstances, there remains a reasonable possibility that he will be able to become re-employed. He, therefore, meets the eligibility requirements for benefits of the applicable Law. (New Mexico Referee Decision No. 78–68–U, Feb. 19, 1968.)

California appeals bodies also consider a student's past work experience to be evidence of availability, but in addition, require that there exist work that he can do. In Appeals Board Decision No. 6810, Apr. 7, 1967 (CCH, Calif., par. 8064.02) the claimant had worked as a service station attendant and as a radio and TV repairman, while enrolled in college in an electronics technician course. The Board concluded:

In the instant case, we believe that the claimant has overcome the inference of unavailability which arose by

reason of his school attendance. When the claimant began his schooling in September 1963 he maintained an employment pattern of full-time employment at the same time that he attended school. In the period beginning March 21 through June 19, 1965, the claimant earned an amount equal to or in excess of his weekly benefit amount in 7 weeks, and in 4 of the weeks in that period earned slightly less than his weekly benefit amount. Undoubtedly, there existed a labor market for the claimant's services and the claimant has demonstrated by the work he performed concurrently with his school attendance that he was ready, willing, and able to accept employment in that labor market.

A different aspect of the question is stressed by the Arkansas Board of Review. This is that monetarily eligible students should not be declared unavailable automatically. The Board relies on the thinking of Ralph Altman in the following paragraph from his study on unemployment compensation, entitled *Availability for Work*,[4] which is quoted in its decision:

The justification offered for disqualifying students is the thesis that they are not a part of the labor force or, at least, not a part that ought to be entitled to unemployment compensation protection. If this argument is accepted, the best plan is to exclude students completely from coverage. To include their wages in the unemployment tax base while denying them benefits as a class is hardly honest. Actually, in terms of labor force membership and group need for protection against unemployment, there seems little basis for denying benefits to students as a class * * *.

The Board held that the claimant, a full-time law student, who had worked for his last employer each quarter of his base period, and who, while laid off due to lack of work, found other work within a month's time, was available for work, when:

* * * because of the mere fact a claimant is a full-time student, to find, as such, he is not available for work with no protection whatsoever would be harsh and result in denying benefits to some claimants who are unquestionably available for work. If a claimant who is a full-time student, after having been separated from his regular work, makes a reasonable effort to find work and he is available for at least the same hours in which he earned his wage credits, he should not be denied unemployment benefits under the availability section of the Act. (Arkansas Decision No. 67–BR–49, Mar. 24, 1967, BSSUI, AA–40–137; CCH, Ark., par. 8156.)

Since the implementation of the Manpower Development and Training Act of 1962, and the subsequent expansion of related programs to aid various groups of people, attention has been focused on the unskilled and untrained and "unschooled." Half the States now have provisions in their laws to hold available for work and actively seeking work a claimant who is taking approved vocational training or retraining. Other States, like the State of Washington, follow this principle. In the case of a claimant (not eligible for MDTA allowances) who could accept work only after 4:15 p.m. on weekdays, as she was assigned to participate in a nurse's aide training course under the MDTA because she lacked a marketable skill in her highly competitive job market area, the Washington Employment Security Commissioner stated:

Under the provisions of section 68(3) of the Act, a claimant is required to be available for and actively seeking *suitable* work. Suitable work, in part, is determined on the basis of a claimant's prior training and experience * * *.

* * * MDTA specialists, following counseling interviews with appellant, recognized her as an individual totally lacking a marketable skill, and thus, ideally suited for training as a nurse's aide under an established MDTA training course. We most certainly concur with the judgment of these specialists and hold that appellant's participation in this training constitutes full compliance with the availability provisions * * *. (Washington Decision No. 7810, Feb. 13, 1968. BSSUI, AA–450.151–15.)

Unemployment insurance legislation and policy may need to broaden the concept of availability as it pertains to students and trainees. An Alaska decision forecasts this possibility. In Decision No. A–3970, February 16, 1968, BSSUI, VL–40–63, the claimant, together with his employer, appealed a determination holding him disqualified for voluntarily having left suitable work without good cause, and not fully available for suitable work. The claimant was a groundman and apprentice lineman who quit work to attend an apprentice lineman school for 6 months at the request of both his employer, who had need of journeymen linemen and assured him that such a job would be available, and his union, which was conducting the school. The referee set aside the agency determination and held that benefits were payable. The claimant had been properly selected by his employer and his union to attend an approved training course, the completion of which was necessary for the upgrading of his job classification to journeyman electrician.

The referee quotes from a Statement of Policy issued February 5, 1965, by the Alaska Commissioner of Labor:

* * * [The] precise question was whether or not a person who would normally draw benefits under this section

[4] Ralph Altman, *Availability for Work: A Study in Unemployment Compensation*. (Cambridge: Harvard University Press, 1950) p. 195.

of Law while in training would also have good cause to leave full-time employment to enter the training program. The answer to this question is arrived at by applying the statutory construction where the Department ascertains the claimant has, in fact, been accepted for training in *bona fide* and approved vocational training course prior to his termination. This fact alone will establish good cause, benefits accordingly should not be denied for voluntary leaving.

The referee further states that this Statement of Policy was supported by a Commissioner Review No. 415, Appeal Docket AW–1501, where the Commissioner said:

> The decision is based upon the fact that after testing and counseling by the Alaska State Employment Service, it was determined that the claimant was, in fact, underemployed in that he was not utilizing his full skill potential. As successful completion of the training course would prepare claimant for a vocation more comparable with his potential capabilities, claimant left otherwise suitable work with good cause * * *.

Is it reasonable to bar from benefits a student who works either part-time or full-time to put himself through high school or college in order to prepare for employment comparable with his potential capabilities, and who does those things which a reasonably prudent person would be expected to do, when he is unemployed, to obtain *suitable* work? The economic pressures of today have changed from those of 10 years ago and will continue to change more rapidly. Among these changes are the demands for specialized education, the rising cost of education making it necessary for more students to work, and the changing contours of the job market which now provide a greater variety of work at the hours that a student is available for work. Are legislation and policy decisions reflecting these changing circumstances? Should a student be barred from unemployment insurance benefits just because he is a student? Or, assuming his attachment to the labor force, should the consideration of his availability emphasize an individual evaluation of his willingness and desire to work and his search for work, within his limitations?

Unemployment Insurance Decisions*

Let the Women Do the Work

Florida.—The 21-year-old young lady had worked for 8 months as a products packer for a manufacturing company when she was assigned to assist some men packers. To her surprise she learned that their work was much lighter than the women's as the men packed and handled only 17-pound cartons while the women were wrestling with 41-pound boxes. The claimant approached a foreman to complain and inquire as to the reason for this seeming discrimination. She was instructed to "mind her own business" and get back to work. Later in the day a personnel officer discharged her, with an adamant refusal to explain why she was being terminated.

The appeals referee held that the claimant was not discharged for misconduct connected with her work, that it could only be concluded that her complaint and inquiry were erroneously construed as a challenge, without good cause, of supervisory authority. Since the facts clearly showed the existence of what seemed to be discrimination, said the referee, her complaint and inquiry were only the normal reaction of the reasonable individual, and, therefore, could in no way be considered a deliberate act in disregard of the employer's interest. (Decision Docket No. 68–97–U, affirmed by Board of Review Decision No. 68–89, Mar. 25, 1968.)

Lofty Ambition

Michigan.—The employer, an automobile manufacturer, provided a program which paid for tuition fees of employees who took job-related courses in accredited educational institutions. The claimant, when told that courses in philosophy would not be considered job-related, submitted an application for a tuition payment indicating that he would be taking a mathematics course with the

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stated objective of working toward a bachelor's degree. The claimant testified that he registered for the course but, on the first day, determined that the class was too advanced for him and, therefore, he dropped the mathematics course and substituted a philosophy course. At the end of the semester the claimant received a report card and was told that the bill for the class had been paid. The next semester the claimant submitted to the employer a request for authorization of enrollment in two mathematics courses. During the registration period, so the claimant alleged, he determined the two classes were too advanced; he turned in the authorization for mathematics and registered for philosophy courses. The claimant paid the bill for the second semester philosophy courses after the employer did not pay the fee. However, with respect to any of the previous authorizations, the claimant had not notified the employer that he had changed from mathematics to the philosophy courses. When the employer found out, the claimant was discharged.

The referee concluded that the claimant owed the employer a much greater duty of candor and full disclosure of information than was evidenced by his acts and held that he was discharged for misconduct connected with his work. (Appeal No. B67-2423, affirmed by Appeal Board No. B67-2423-35863, Feb. 16, 1968.)

Throw the Doggies Some Bones

Montana.—The claimant, 54 years of age, had been employed for 4 years, and was considered a satisfactory employee; he himself was satisfied with the hours and the type and conditions of work. However, he did not believe that he was paid what he was worth. At the annual party in late December he received four $5 bonus certificates. Later he learned that his supervisor in the computer department received a bonus of between seven and eight hundred dollars. On January 2, he wrote a letter of four paragraphs to the Board of Directors expressing his disdain, and returned his four $5 certificates. The third paragraph of his letter read: "I had heretofore held the opinion that there was only one member of the Board who could possibly have made such an uneducated evaluation of human endeavor and individual pride—but I'm now convinced that there must be more than one. Either that or your structure consists of a whipping-boy motion-maker in the front row who gets enough 'me too's' from the bleachers to carry the motion. I have no choice but to view the $20 gift certificate outlay as a gesture similar to 'throw the doggies some bones; that'll keep'em quiet.' I do not wish to be known as one of your bone-catching doggies. Please exclude me from *any* bonus considerations which may arise in the future—I prefer not to participate in any manner whatsoever." He reminded the Board in the last paragraph of his letter that if they felt insulted they could reckon with it by remembering "so was I." The Board of Directors considered the claimant's letter the next day and discharged him.

The Commission affirmed the appeal tribunal's decision that the claimant was discharged for misconduct connected with his work but decreased the disqualification period to a 2-week period. The Commission said the claimant acknowledged that the granting of bonuses was the prerogative of the employer. If he disagreed with the employer's policy he could have discussed his dissatisfaction with the Board in a reasonable manner without challenging their intelligence, as he did in his letter. (Decision No. 883, Apr. 25, 1968.)

Trends in the Economy*

The Nation's economy in March showed amaz ing vigor as most key indicators of economic strength rose strongly. Factory orders for durable goods, spurred by a sizeable increase in commercial aircraft orders, rose more than 7 percent to a new high; industrial production continued its upward movement, led by a quickening in durable goods activity. Personal income registered a sizable gain; consumer purchases also fueled the expansion, with retail sales rising by 2 percent. The only area not contributing to the strong March showing was that of new housing starts, which remained at the 1.5 million annual rate for the third consecutive month.

Employment developments were also encouraging. Total employment advanced to a record high of 75.8 million (seasonally adjusted), while unemployment, showing a somewhat greater-than-seasonal decline, moved down to 2.9 million. The seasonally adjusted jobless rate eased by 0.1 point to 3.6 percent of the labor force.

Business Activity

Gross national product in the first quarter of 1968 jumped by a record $20 billion to a seasonally adjusted annual rate of $827 billion. On an annual rate basis, GNP for the quarter was up by about 10 percent, with real growth (after adjustments for price increases) at a healthy annual rate of 6 percent. The quarter's advance was sharply above the $16.1 billion gain registered in each of the two preceding quarters and was substantially larger than the previous record of $18.4 billion posted in the final quarter of 1965.

High demand came from two significant sectors of the economy. Personal consumption expenditures were especially noteworthy, and Government purchases continued to rise. With respect to consumer spending, after several quarters of only moderate growth, purchases were up by $16 billion (seasonally adjusted) to $517.8 billion. This was the largest gain ever recorded and was more than twice the average quarterly increase of the past 2 years. Nearly half of the upswing—some $7.7 billion—stemmed from outlays on nondurable goods, with sizable advances in spending for food and clothing. Expenditures for durables moved up $4.1 billion as substantial gains were registered by the automobile and furniture groups. (Consumer spending for domestically produced automobiles rose strongly as unit sales improved to an annual rate of nearly 8.3 million from 7.3 million in the previous quarter.) Outlays for services showed a gain of $4.2 billion.

Government purchases showed an advance of $5.8 billion to an annual rate of $187.5 billion. Some $3.5 billion of the rise was in the Federal sector and was more than double the increases in each of the two previous quarters. Gross private domestic investment edged down by $1.4 billion to a seasonally adjusted annual rate of $119.4 billion as business inventories were accumulated at a much slower rate than in the previous quarter. Net exports of goods and services also declined, edging down by $400 million to a $2.6 billion rate.

Industrial production scored another advance in March, rising by 0.6 point to a record seasonally adjusted 162.1 percent of the 1957–59 base average.

The manufacturing index, the largest component of the overall index, edged up from February's 162.9 percent to 163.5 percent of the 1957–59 base; a year earlier this index stood at 158.2 percent. Nearly all of the gain occurred in the durable goods sector, where a 1.0 point rise was registered. The most sizable jump among durables was in the transportation equipment industry where the production index, at 180 percent of the 1957–59 base, was up more than 4 points over the month. Most other hard goods industries reported small advances; among these were fabricated metals, stone-clay-glass, and primary metals. In this latter industry, the production index

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moved up by 0.7 point as 12.7 million tons of steel were poured.

The index for nondurable goods production rose 0.1 point to 157.5 percent of the base average. The largest rise among these industries was in paper and printing—a 1.2 point gain.

The mining index showed a substantial advance over the month—2.2 points—raising the total to 126 percent of the base period. All subgroups were up, with coal showing the greatest gain. The utilities index was the only major component to show a decline—down by 0.5 point, lowering the index to 196 percent.

New factory orders for durable goods, boosted by a sharp advance in commercial aircraft orders, reached a record $27 billion (seasonally adjusted) in March; this was 7.4 percent more than in February and about 12 percent higher than in the previous March. Orders for transportation equipment soared to $8.5 billion from February's $6.4 billion; this far exceeded the $5.9 billion volume of March a year ago. When transportation group orders are subtracted out of the total, March orders for durables show a fall to $18.1 billion from February's $18.4 billion. Primary metals orders declined substantially while new bookings in the machinery group held steady.

With most industries showing slight increases in March, *durable goods shipments* advanced by 1.9 percent to a seasonally adjusted $25.1 billion; this compares with the $23.1 billion volume of March 1967.

Because the increase in orders far outstripped that of shipments, the *backlog of durables orders* rose over the month. At a seasonally adjusted $80.8 billion, the backlog was up from February's $79.3 billion and was sharply above March 1967's 74.1 billion. Again, the major cause was the aerospace industry (commercial aircraft) where the number of unfilled orders was up substantially. Other major industry groups showed little change over the month.

March housing starts (seasonally adjusted) were at an annual rate of 1,476,000 units—little changed from the February rate of 1,529,000. By regions, starts rose slightly in the West, but fell 18 percent in the Northeast and also declined in the South and the North Central States. Compared with last March, starts were nearly 35 percent higher.

In the 6-month period ending March 1968, the average of the seasonally adjusted annual rate of private housing starts was 12 percent above the average for the preceding 6-month period ending September 1967, and 44 percent higher than the average for the corresponding 6-month period a year earlier.

Building permits, a key indicator of future housing construction, turned higher in March. Issued at a seasonally adjusted annual rate of 1,362,000 units, the March permits total compares with 1,360,000 units in February and 928,000 in March 1967. Permits for single-family houses showed a rise of 2 percent; those for large apartment units (five families or more) were up by nearly 2 percent, but for two to four family units, the number fell by 27 percent to 67,000 units.

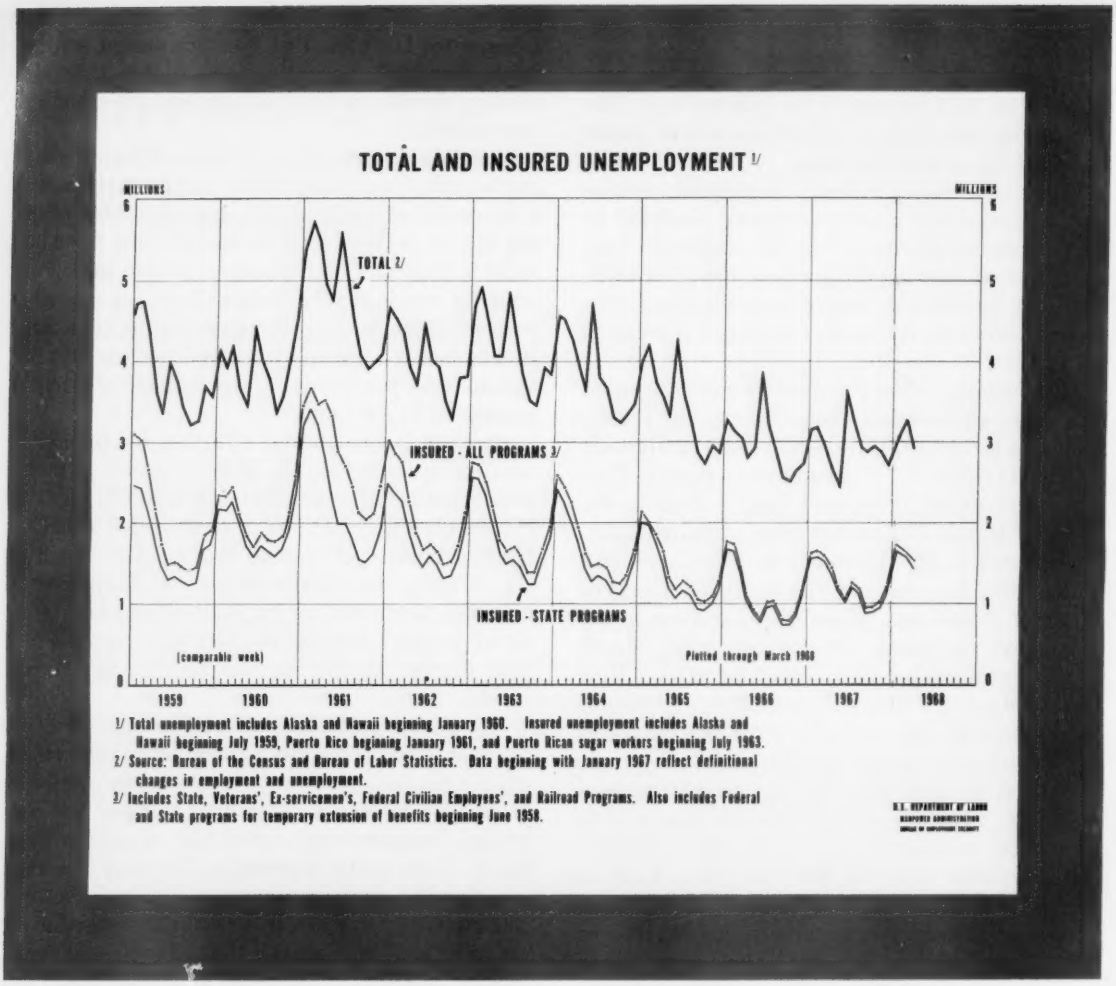
Personal income showed a further rise in March, moving up by $6.7 billion from February to a seasonally adjusted annual rate of $666 billion. The March expansion, although sizable, fell short of the $8.4 billion gain posted in February. Much of the advance was attributable to a sharp rise in transfer payments, up by $3.3 billion, as higher social security benefits enacted by Congress last year showed up for the first time in the March checks.

The slower pace of the overall income advance, however, was due mainly to a falloff in the rate of gain in the important wages and salaries category. In this component, a $2.1 billion increase was registered, compared with a $6.6 billion gain in February. (The sharp increase in February reflected a higher Federal minimum wage standard effective in that month.) Payrolls of both manufacturing and distributive industries showed only modest increases in March, while those of service industries continued to rise at about the same pace as in other months.

Gains were also registered in the following categories: Dividend, agricultural, and interest income.

Consumer purchases, as reflected by *retail sales*, totaled to $28.0 billion (seasonally adjusted) in March—about 2 percent above February's $27.5 billion and 9 percent above the March 1967 figure.

Both the durables and nondurables areas shared in the rise. Sales of durable goods, unadjusted, totaled $8.8 billion, up nearly $1.0 billion from the previous month. Although the furniture and lumber groups contributed to the rise, the bulk of the increase came from the automotive sector where sales rose about $700 million over the month to $5.4 billion. Approximately 767,600 units of domesti-


TOTAL AND INSURED UNEMPLOYMENT 1/
MILLIONS
MILLIONS
6
5
4
3
2
1
0
TOTAL 2/
INSURED - ALL PROGRAMS 3/
INSURED - STATE PROGRAMS
(comparable week)
Plotted through March 1968
1959
1960
1961
1962
1963
1964
1965
1966
1967
1968
1/ Total unemployment includes Alaska and Hawaii beginning January 1960. Insured unemployment includes Alaska and Hawaii beginning July 1959, Puerto Rico beginning January 1961, and Puerto Rican sugar workers beginning July 1963.
2/ Source: Bureau of the Census and Bureau of Labor Statistics. Data beginning with January 1967 reflect definitional changes in employment and unemployment.
3/ Includes State, Veterans', Ex-servicemen's, Federal Civilian Employees', and Railroad Programs. Also includes Federal and State programs for temporary extension of benefits beginning June 1958.

cally produced cars were sold in March—143,600 more than in February.

In the soft goods component sales were up by $1.7 billion to $18.2 billion (unadjusted). Virtually all groups had higher sales with food, general merchandising, and apparel each reporting substantial increases.

Employment

Total civilian employment continued to advance in March, moving up by 400,000 to 74.5 million. On a seasonally adjusted basis, employment reached a record high of 75.8 million—some 100,000 above the level in February. The adjusted gain was entirely attributable to the nonfarm sector; farm employment showed a reduction. All of the greater-than-seasonal advance was among adult women and teenagers. Compared with a year earlier, total civilian employment was nearly 2.0 million higher.

The *number of employees on nonagricultural payrolls* in March rose by 143,000 to 67.9 million (seasonally adjusted) with all of the gain in service-producing industries. The most substantial increases occurred in retail trade and the State and local governments—up by 57,000 each—followed by rises of 27,000 in services and 9,000 in finance, insurance, and real estate. These gains were partially offset by a decline of 19,000 in construction and a drop of 3,000 in manufacturing. The decline in manufacturing jobs reflected, to a large extent, strike activity in the stone-clay-glass industry.

Compared with a year earlier, nonfarm payroll employment was 2.0 million higher with the most substantial gains occurring in the government (661,000), services (483,000), trade (446,000), and finance, insurance, and real estate (150,000). Other employment gains included 114,000 in construction, 82,000 in manufacturing, and 74,000 in transportation and public utilities. The only decline—22,000—was in mining.

Most of the factory job gain from a year earlier was in the nondurable goods industries, especially chemicals (27,500), rubber (22,900), textiles (20,900), and printing and publishing (12,900). The food and kindred products industry posted a decline of 16,900. The largest increases among durable goods industries were 74,000 in transportation equipment and 20,600 in ordnance. Job declines amounting to more than 20,000 occurred in primary metals (42,900), stone-clay-glass (39,400), electrical equipment (27,100), and nonelectrical machinery (22,200).

The *average workweek* (unadjusted) for factory employees edged up by 0.1 hour to 40.6 hours in March; *overtime hours* also advanced by 0.1 hour to 3.3 hours (on an adjusted basis both the workweek and overtime hours were unchanged over the month). *Average hourly earnings* of manufacturing workers moved up by one cent to $2.96 in March, while average weekly earnings at $120.18 were 70 cents higher than in the preceding month.

Unemployment

Total unemployment declined in March by nearly 360,000 to 2.9 million; a year earlier joblessness was slightly higher, rounding to 3.0 million. This March there were 1.2 million jobless adult men, 988,000 unemployed adult women, and 722,000 teenage jobseekers.

The unemployment rate, seasonally adjusted, eased to 3.6 percent from 3.7 percent in February; a year earlier the rate stood at 3.7 percent. In March, the jobless rate for teenagers moved up to 13 percent from February's 12.6 percent. Although teenage employment improved somewhat, a considerably larger number entered the labor force than found jobs. The rate for adult men inched down from 2.3 percent to 2.2 percent, while that for adult women dropped to 3.7 percent from 4.0 percent. Compared with a year earlier, rates for both adult men and adult women were somewhat lower, while the teenage jobless rate was more than a full percentage point higher.

Insured unemployment dropped sharply in March due largely to better weather. At an average weekly volume of 1,390,100, insured joblessness under State programs was down by 11 percent from February. This compares with a weekly average of 1,532,500 a year earlier. The March rate of insured joblessness was 2.8 percent, representing the lowest rate for the month since World War II; the rate a year earlier was 3.3 percent.

Insured Unemployment*

Insured joblessness moved down sharply during March, sparked by the onset of better weather. The effects of the spring pickup in construction and other outdoor work, combined with a high level of industrial activity resulted in a decline of 11 percent, reducing the average weekly volume of State insured unemployment to 1,390,100. The jobless rate moved down from 3.2 percent to 2.8 percent—the lowest figure for any March in the postwar period. A year earlier, the rate was 3.3 percent, while the volume was 1,532,400.

All States Show Lower March Volumes

The February-March decline in insured joblessness was widespread. Except for Maine, all States plus the District of Columbia and Puerto Rico reported lower volumes. The most substantial reduction occurred in California, where a decline of 18,100 lowered that State's weekly average to 222,900. A large portion of the drop reflected a seasonal pickup in the construction and food processing industries. Insured joblessness in New York was down by 18,000 to a weekly average of 164,800 as improvement occurred in the manufacturing (especially textiles), construction, and services industries. Pennsylvania's decline of 11,300 brought the weekly average in that State to 82,700, with about one-half of the reduction stemming from recalls of construction workers; in addition, gains were noted in trade and public utilities. In Ohio, where insured joblessness declined by 10,500, a pickup in construction and trade was the major factor. The effects of improved weather were also contributing factors in the drops of 7,600 in Missouri, 7,100 in Michigan, and 7,000 in New Jersey.

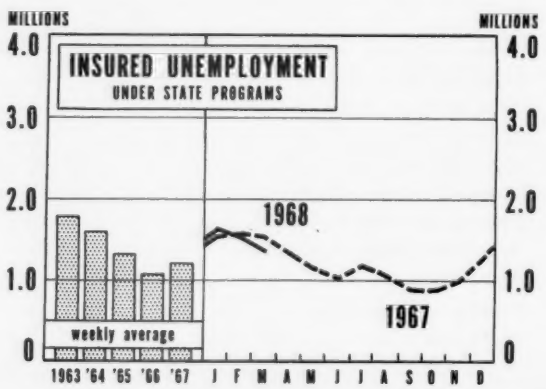
Most States Show Over-the-Year Improvements

Compared with a year earlier, 32 States and the District of Columbia had lower volumes of insured joblessness. The most substantial drop—40,700—took place in New York, where sharply lowered volumes of insured joblessness were noted among construction, apparel, textile and electrical equipment workers. California reported an over-the-year reduction of 29,900—virtually all of which reflected an increased tempo in construction; while in Michigan, a decline of 25,500 was primarily traceable to increased activity in the automobile manufacturing sector. Ohio's reduction of 15,200 was also largely due to the pickup in autos. Less insured joblessness among workers from the textile and apparel industries were the main factors in Pennsylvania's over-the-year drop of 8,900.

Illinois had the largest rise—8,100, reflecting higher unemployment scattered among workers in a number of industries. Connecticut's increase over the year measured 5,000 and Puerto Rico's was 4,600. In the former State, much of the increase was among workers from the machinery, construction, and trade industries, while in the latter there was more insured joblessness among workers from the construction and food processing industries.

Rates Vary Widely Between the States

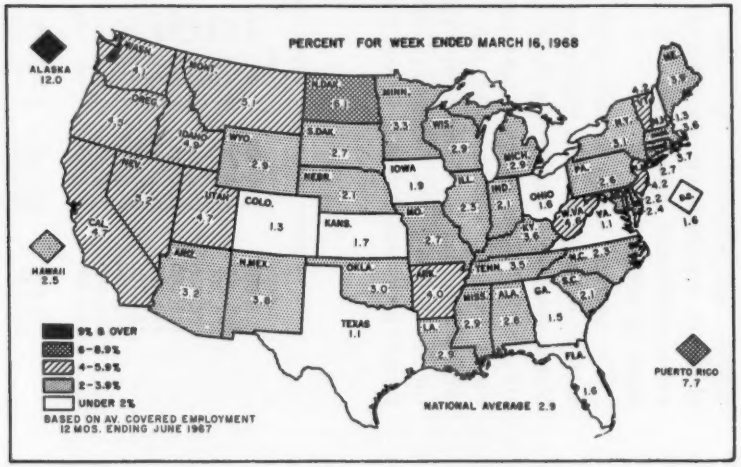
The highest rates of insured joblessness during March were reported in Alaska—12.8 percent, Puerto Rico—7.6 percent, and North Dakota—6.0



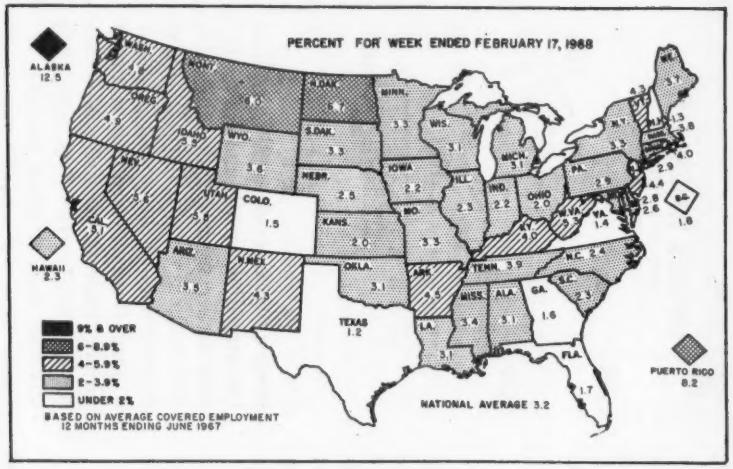
Prepared in the Office of Program Reports and Research, Administration and Management Service, Bureau of Employment Security.

STATE INSURED UNEMPLOYMENT AS PERCENT OF AVERAGE COVERED EMPLOYMENT

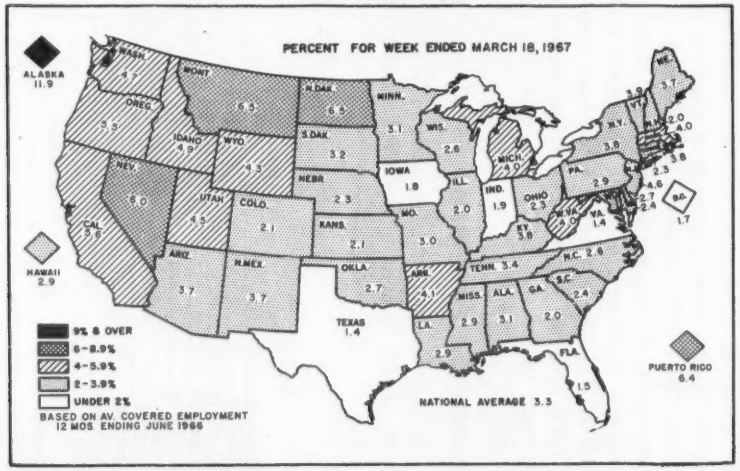
LATEST MONTH



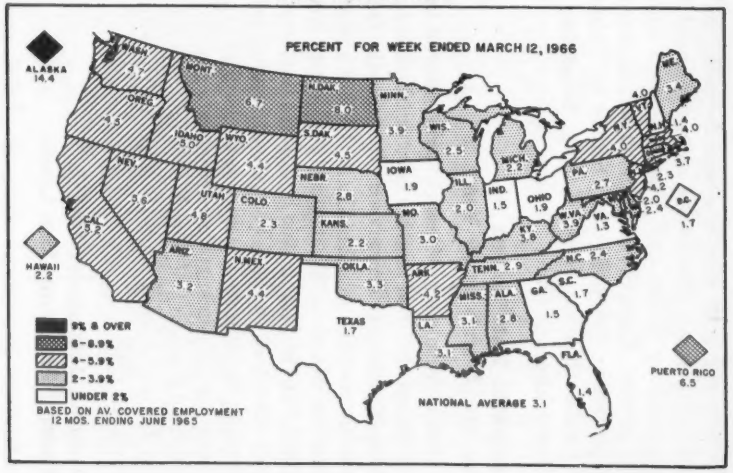
PREVIOUS MONTH



ONE YEAR AGO



TWO YEARS AGO



percent. In both Montana and Nevada, the rate was 5.1 percent. The lowest rates continued to be reported by Texas and Virginia—each showing 1.1 percent. Rates of less than 2.0 percent were also reported in Colorado, the District of Columbia, Florida, Georgia, Iowa, Kansas, Nebraska, New Hampshire, and Ohio.

Adjusted Rate Lowest for any March in 20 Years

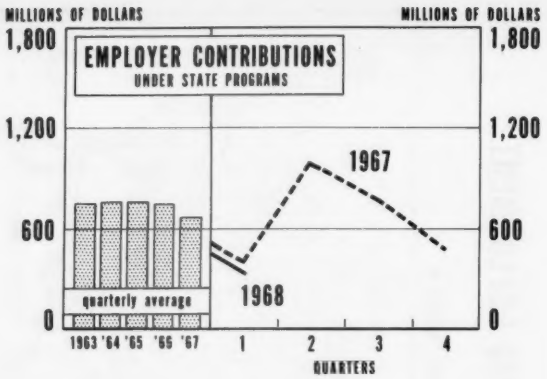
On a seasonally adjusted basis, insured unemployment declined slightly between February and March, moving down over the month from a weekly average of 1,146,200 to 1,123,900. Excluding the March 1966 seasonally adjusted level of 1,052,700, the March 1968 figure was the lowest for any March since 1953. The rate of insured joblessness, on the adjusted basis, was unchanged over the month at 2.3 percent; the current rate was matched by the 2.3 percent of March 1966 and was the lowest for any March since the start of the adjusted series in 1949.

Insured Joblessness Under Federal Programs Also Lower

Insured joblessness under the UCX program (covering ex-servicemen) moved down over the month from a weekly average of 40,100 to 35,900. Under the UCFE program (for Federal civilian employees) the weekly average edged down from 28,500 in February to 26,400. Compared with the March 1967 figure, insured joblessness under the UCFE program was some 4,000 higher, while the average under the UCX program was up by 11,900.

Benefits and Exhaustions

In March, some $231.1 million in benefits were paid to the insured unemployed covered under



State programs—some $12.6 million less than in the preceding month and $26.4 million below the year-earlier figure. Under the railroad program, $4.1 million were disbursed; this compares with $4.0 million in February and $4.2 million in March a year earlier. Unemployed ex-servicemen and former Federal civilian employees eligible for benefits under the UCX and UCFE programs received only limited benefits in March since funds were temporarily not available. Supplemental appropriations for bills for unemployment compensation for Federal employees and ex-servicemen were signed by the President on April 12, 1968.

The average weekly benefit check for totally unemployed workers under State programs during March was $43.64, compared with $43.58 in February and $42.07 in March a year ago. Fourteen States reported checks above $45.00, with the largest recorded in Connecticut ($53.14), California ($50.63), and Wisconsin ($50.40). The lowest checks were $24.45 in Puerto Rico, $26.94 in

Week ended—	Initial claims [1]		Insured unemployment [1]	
	1968	1967	1968	1967
March 2	198,600	326,800	1,512,500	1,620,500
March 9	208,200	240,600	1,469,400	1,577,500
March 16	[2] 179,300	225,300	1,421,000	1,525,000
March 23	175,600	215,400	1,357,700	1,504,900
March 30	165,200	223,600	1,287,700	[2] 1,469,600
April 6	184,100	251,200	1,200,900	1,409,500
April 13	167,700	289,500	1,174,100	1,386,300
April 20	165,300	218,100	1,123,100	1,341,700
April 27	216,500	216,900	1,112,000	1,302,400
May 4	180,900	221,600	1,040,100	1,241,900
Weekly averages				
March	182,900	239,300	1,390,100	1,532,500
April	183,100	243,900	1,142,500	1,360,000

[1] Refers to State programs. [2] Revised figures.

Activity [1]	Number or amount March 1968	Percent change from— February 1968	Percent change from— March 1967	January–March cumulative (in thousands) 1968	January–March cumulative (in thousands) 1967
Initial claims [2]	761, 900	−21. 4	−28. 2	3, 191	3, 494
Weeks claimed [2]	6, 030, 900	−9. 0	−13. 7	20, 071	20, 216
Insured unemployment (weekly average) [2]	1, 390, 100	−10. 6	−9. 3	1, 526	1, 556
Beneficiaries (weekly average)	1, 298, 000	−5. 5	−5. 6	1, 329	1, 333
Benefits paid [3]	$231, 106, 400	−5. 2	−10. 2	$720, 213	$699, 904
Claimant exhaustions	81, 800	+5. 8	+7. 7	243	207

[1] Data relate to State programs only.
[2] Includes agent State claims taken by the Virgin Islands; also includes data under Puerto Rico sugarcane program.
[3] Monthly data represent gross amount; cumulative data represent net amounts.

Mississippi, and $27.68 in North Carolina.

Some 7 percent of all March payments were for partial unemployment. The average check amounted to $25.95, compared with $25.16 in February. The proportion of partially unemployed claimants varied widely from State to State, and ranged from highs of 20.2 percent in North Dakota, 13.7 percent in Missouri, and 13.5 percent in Georgia, to lows of 2.5 percent in Michigan, 2.6 percent in the District of Columbia, and 2.8 percent in Nebraska.

Exhaustions

The number of claimants exhausting their benefits rights under State programs averaged 81,800 in March, some 4,500 more than in February. The March number was the second lowest count for the month since 1953. In March 1967 exhaustions totaled 75,900; 39 States reported higher volumes than in February, with the largest increases occurring in Wisconsin (626), Michigan (599), New Jersey (568), California (565), New York (511), and Illinois (503).

Exhaustees this March accounted for about 8 percent of the 1.1 million persons who ceased filing for benefits under the State unemployment insurance programs. Most of the remainder of those who ceased filing presumably returned to work or had left the labor force.

NOTE.—A separate monthly report, *Unemployment Insurance Statistics*, provides more detailed data on unemployment insurance activities. Copies of this report are available without charge. All requests should be directed to the attention of the Inquiries Section at the Office of Information, Manpower Administration, U.S. Department of Labor, Washington, D.C. 20210.

Selected Unemployment Insurance Statistics, State Programs, March 1968

State	Initial claims received 1/ 2/	Weeks claimed 2/	Number of insured unemployed (weekly average) 3/	Number of beneficiaries (weekly average) 3/	Average weekly payments for total unemployment	Number of final payments 4/	Benefits paid 5/	12 months ending March 1968 (in thousands)		Funds available March 1968 7/ (in thousands)
								Benefits paid 6/	Collections and interest	
Total	8/761850	8/6030925	8/1390100	1297965	$43.64	61771	$231106372	$211264.8	$303457.7	1047005.1
Alabama	10585	80425	18507	15820	32.98	1428	2149421	2245.3	2962.0	111383
Alaska	1742	24679	5483	5866	45.48	229	1176988	9/ 788.3	1168.8	10/ 19406
Arizona	6425	39607	9497	7899	37.72	613	1234236	1255.2	2041.7	80226
Arkansas	6700	60595	14312	11761	32.23	875	1557884	1340.8	1528.2	42033
California	132903	954827	282929	202087	50.63	15494	4196304.1	4422.65	5686.10	880003
Colorado	3845	24717	5255	4633	48.12	320	909158	846.1	960.1	71149
Connecticut	12441	108488	25319	25642	53.14	1065	5573966	6894	5964	23194
Delaware	1304	14766	3380	3870	43.40	222	690000	6894	5964	71393
Dist. of Col.	1790	21861	4922	4645	46.44	286	900238	7823	10640	
Florida	11822	81943	19236	11266	32.83	1361	1505062	21477	36637	225192
Georgia	9174	68865	14571	12070	35.91	1536	1687156	20137	44611	253579
Hawaii	2242	21112	4943	3623	48.19	237	704375	9619	12012	28315
Idaho	2418	28905	6656	5936	45.47	712	1079161	7555	9946	37258
Illinois	33467	292407	67257	69722	46.05	4075	13220591	95922	64982	536119
Indiana	16917	126415	27380	27094	38.43	2700	4317882	35185	60734	251436
Iowa	3259	44118	10261	10234	45.59	923	1881129	13425	15386	124792
Kansas	3340	29752	6720	6604	42.91	416	1165401	10668	18800	82290
Kentucky	7491	85473	20043	16831	38.10	962	2642653	22113	32071	147447
Louisiana	10256	87384	19796	20301	37.22	1400	3098500	30409	35321	155504
Maine	4848	33542	8351	6818	39.76	595	1052371	8173	10463	41040
Maryland	9466	89211	19553	20281	41.34	677	3385366	27011	40674	218405
Massachusetts	28834	257110	59545	56237	48.12	3516	10934141	95085	130309	315613
Michigan	33885	289517	66621	61539	49.43	4428	12610485	123557	153690	10/ 540373
Minnesota	8899	118566	27046	24602	44.22	1449	4439210	26039	45311	68018
Mississippi	4401	42889	10076	8807	26.94	547	974195	8648	13013	78824
Missouri	20135	130092	29706	25788	41.55	1492	4150170	35982	34423	261090
Montana	2584	28180	6110	5910	32.04	410	799003	5401	6551	20659
Nebraska	1908	27005	5177	5998	39.15	469	972775	6153	9847	48256
Nevada	3917	28235	6476	5855	43.49	467	1043982	10498	11591	27682
New Hampshire	1975	9351	2328	1850	42.77	43	310634	2827	7438	41871
New Jersey	39015	317121	74086	73691	49.28	5433	14822349	124124	160219	397973
New Mexico	3179	29344	6716	6589	33.69	248	913889	7311	7768	37335
New York	104824	701947	164808	167371	45.49	6573	30714082	302090	390471	1519160
North Carolina	17949	115589	26302	25765	27.68	1233	2635689	28980	59513	311409
North Dakota	867	21129	4731	4234	42.00	110	748844	4202	5018	6711
Ohio	24161	198514	44904	42965	44.09	1588	7829495	71859	139762	583096
Oklahoma	5432	54175	12713	10487	30.87	848	1335333	12040	12590	56637
Oregon	11852	93692	21787	19495	38.98	1110	3138670	28936	37816	116816
Pennsylvania	51217	361390	82746	80432	42.62	2612	13702063	114610	301248	728081
Puerto Rico	8/ 10375	8/ 109760	8/ 24732	14450	24.45	3106	1495579	9/ 30251	26954	72310
Rhode Island	7520	43405	10156	9416	44.75	653	1698791	14764	22517	71390
South Carolina	6730	50609	11233	9954	32.90	1279	1350638	16947	27434	185063
South Dakota	524	9735	2302	2080	35.41	117	295530	2596	2779	17174
Tennessee	11246	123458	28460	24716	33.15	1663	3338232	31754	47438	157917
Texas	14820	108183	24091	18881	35.18	1913	2696367	27002	59234	326776
Utah	2857	40550	9524	8906	40.95	633	1498232	10744	12447	40030
Vermont	1633	16894	3844	3682	43.09	106	644900	4640	8900	18988
Virginia	4904	44781	9888	8715	33.79	701	1207684	9737	23358	184286
Washington	17146	132930	30791	30745	53.22	2676	4240984	39237	71844	280617
West Virginia	5936	67556	15230	15377	31.31	532	1970576	13939	21023	79285
Wisconsin	19881	132291	31784	30598	50.40	1574	6374708	43919	64226	258670
Wyoming	723	7353	1807	1822	41.48	100	304563	1945	3902	14024

1/ Excludes transitional claims.
2/ Total includes claims taken as agent State by the Virgin Islands.
3/ Weekly data are adjusted for split weeks in the month on the basis of a 5-day work week.
4/ A final payment is the payment for the last week of compensable unemployment in a benefit year, and indicates the exhaustion of benefit rights by a claimant for that benefit year. Because of the time lapse between the actual week in which the unemployment occurs and the date on which final payment is made the monthly total includes some claimants who exhausted their rights in the preceding month but received their final payment in the reported month, and excludes some claimants who exhausted their rights in the reported month but will not receive their final payments until the succeeding month. Workers who exhaust their rights may be entitled to additional benefits when the following benefit year begins. The number of exhaustions is not indicative of the number who are still unemployed as some will have obtained employment and others may have withdrawn from the labor force.
5/ Unadjusted for voided benefit checks and transfers under interstate combined-wage plan. Includes $153,057 in payments under extended duration provisions of State laws in two States: Alaska $71,222 and Puerto Rico $81,835.
6/ Adjusted for voided benefit checks and transfers under interstate combined-wage plan.
7/ Includes amount credited to States' accounts in the unemployment trust fund, less withdrawals by the States, under the provisions of the Employment Security Administrative Financing Act of 1954.
8/ Includes data under the program for Puerto Rican sugarcane workers.
9/ Includes payments made under State temporary extended benefit provisions.
10/ Funds available reflect an advance from Federal account in Unemployment Insurance Trust Fund.

NOTE: Due to temporary suspension of funds under Title XV of the Social Security Act (now 5 U.S.C. 8501 et seq.), March 1968 data for table on "Selected Unemployment Insurance Statistics, Federal Programs," are not now available.

Temporary Disability Insurance Activities Under State and Railroad Programs

	First claims received		Weeks compensated		Benefits paid		Benefits paid	
	January 1968	December 1967	January 1968	December 1967	January 1968	December 1967	January 1967	December 1966
California								
State plan								
Basic benefits	56,477	41,186	320,019	284,225	$18,443,459	$16,264,114	$16,474,220	$16,065,475
Additional hospital benefits	1/28,475	1/26,199	2/206,678	2/191,865	2,480,136	2,302,380	2,322,000	2,534,880
Private plan	3,591	3,225	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)
New Jersey								
State plan	9,914	8,008	68,898	60,437	2,836,477	2,488,249	2,532,955	2,379,186
Private plan	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)
New York	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)
Rhode Island	4,702	2,437	30,082	26,472	1,159,201	1,008,193	1,025,472	1,020,994
Railroad								
Sickness	10,811	7,199	4/111,156	5/90,060	3,231,666	2,937,003	3,357,602	3,375,313
Maternity	158	79	4/1,844	5/1,616	131,994	113,735	148,711	114,131

1/ Represents the number of payments made.
2/ Days for which additional hospital benefits were paid.
3/ Data not available.
4/ Estimated from data "benefit periods" compensated which number 55,578 for sickness and 922 for maternity.
5/ Estimated from data "benefit periods" compensated which number 45,030 for sickness and 808 for maternity.

Temporary Disability Insurance Activities Under State and Railroad Programs

	First claims received		Weeks compensated		Benefits paid		Benefits paid	
	February 1968	January 1968	February 1968	January 1968	February 1968	January 1968	February 1967	January 1967
California								
State plan								
Basic benefits	54,838	56,477	293,431	320,019	$16,963,689	$18,443,459	$15,230,447	$16,474,220
Additional hospital benefits	1/30,726	1/28,475	2/222,097	2/206,678	2,665,164	2,480,136	2,469,168	2,322,000
Private plan	4,128	3,591	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)
New Jersey								
State plan	11,134	9,914	71,356	68,898	3,152,292	2,836,477	2,140,187	2,532,955
Private plan	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)
New York	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)	(3/)
Rhode Island	3,351	4,702	33,949	30,082	1,302,290	1,159,201	1,001,193	1,025,472
Railroad								
Sickness	8,603	10,811	4/80,808	5/111,156	2,957,914	3,231,666	2,605,902	3,357,602
Maternity	125	158	4/1,974	5/1,844	141,415	131,994	128,569	148,711

1/ Represents the number of payments made.
2/ Days for which additional hospital benefits were paid.
3/ Data not available.
4/ Estimated from data "benefit periods" compensated which number 40,404 for sickness and 987 for maternity.
5/ Estimated from data "benefit periods" compensated which number 55,578 for sickness and 922 for maternity.

NOTES

NOTES

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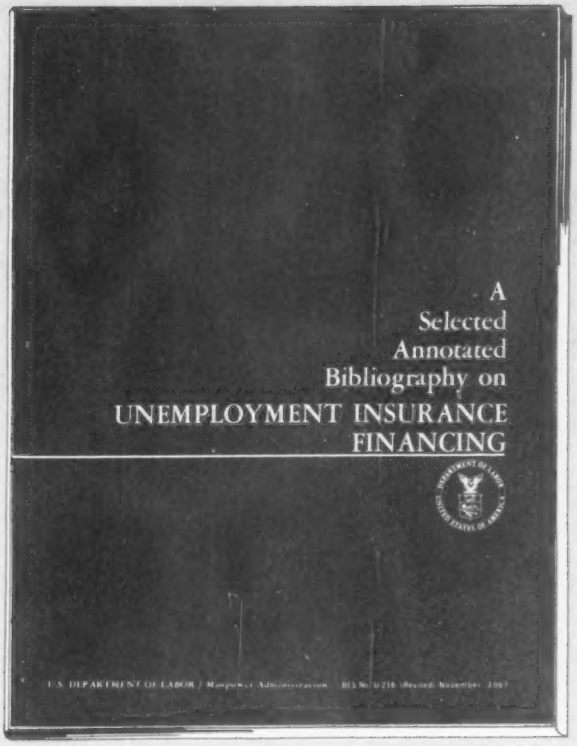

This bibliography presents a current list of references in the area of unemployment insurance financing and has been compiled to meet the varied requirements of legislators, State administrators, researchers, and others engaged in the field. It should provide a useful source of information ranging from the general treatment of financial problems and developments to the technical material that involves economic and actuarial considerations. The inclusion of references on the broader aspects of unemployment insurance helps avoid the problem of treating financing within strictly limited bounds.

Single copies of *A Selected Annotated Bibliography on Unemployment Insurance Financing* (BES No. U–216, Revised, November 1967) may be obtained without cost, as long as supplies permit, by writing to Unemployment Insurance Service, Bureau of Employment Security, U.S. Department of Labor, Washington, D.C. 20210.

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